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YPF DIRECTOR DETAILS ECONOMIC PROBLEMS OF ENTERPRISE

Buenos Aires MERCADO in Spanish 22 Oct 81 pp 26-32

[Interview with Rear Adm Oscar Francisco Abriata, director of YPF, in Washington; date not specified]

[Text] MERCADO: Generally speaking, how would you describe the present status of Government Oil Deposits [YPF]?

Abriata: The status of YPF must be observed from two angles: from the standpoint of the company's economic and financial situation, and from the standpoint of productivity, that is, its efficiency. Insofar as the first point is concerned, I believe that it is well known, because this is a matter that the head of the company has made public on constant occasions. At the end of this year, the company will have reached a debt of approximately \$5 billion. Obviously, this figure depends on the rate of exchange that is used to consider it. That debt is essentially a result of a problem stemming from the company's net withholdings in comparison with its costs.

As everyone knows, there is a gap between the cost of procuring oil, which can be quantified approximately between \$110 and \$120 per cubic meter, and which depends on the type of well and the area that is used. The withholding obtained by YPF, that is, the net income, is about \$60; in other words, there is a difference of \$50 or \$60 between what it accrues and what the cost is for it. If we multiply that figure by the number of millions of cubic meters that the company produces or obtains by way of contracts with third parties, we can immediately arrive at the loss experienced by YPF in this respect. If we are talking about 28 million cubic meters per year, multiplied by \$50 or \$60, that gives us about \$1.7 billion in losses from its oil production. To be sure, this is not the company's annual deficit, because YPF has other sources of income; but this is essentially the reason which has caused the company to have a debt from December 1977 until the end of 1981 which within 3 months will amount to approximately \$5 billion. But there are also other figures which must be considered in order to gage this situation. If the company produces 28 million cubic meters, and this amount of oil is priced at the cost of that fuel through external purchase, ranging between \$220 and \$230, and we multiply that by the production, we would arrive at a figure far larger than the one resulting from the procedure explained previously. This is somewhat of an indication that when it is claimed that YPF is a deficient and inefficient company, it is not really such; rather, there is a problem involving the company's net withholding with respect to its costs.

MERCADO: There is no question that this problem is based fundamentally on the power that you lack, namely, to set the price of fuels....

Abriata: Of course, that is a decision which is not up to the company, and which lies in a context outside of YPF. In any event, it is important to bear in mind what was stated earlier, so that it will be clear that the company's economic status is not merely the result of inefficient management, but rather stems from an equation wherein there is net withholding on the one side, and production costs on the other.

MERCADO: Of the \$5 billion debt, how could the debt be situated between short and medium term?

Abriata: A total of 65 percent of the company's debt is short term, and the remaining 35 percent is long term. As you can understand, this is a profile of an unfeasible debt. In any event, I would like to explain that we are attempting to improve the debt profile, and I trust that we shall not have major problems in achieving this. It is not an exclusive problem for our company, but rather an obstacle that has entered a general context in the country; and it is the economic authorities and those of the Central Bank who arrange the opportunity for each company to be able to obtain long term loans that will enable it to reconvert its short term debt. I can tell you that it is true, that the confidence which YPF enjoys among the international banks would enable the state company, without any great agitation, to acquire a profile in keeping with its capacity as a company.

MERCADO: During recent months the country has undergone a difficult economic situation. During that interval, YPF has had bills payable. For what term were their renewals made? Did the company have any kind of problem in this regard?

Abriata: Government Oil Deposits has not had any kind of difficulty in this regard, and we have been able to pay the debts conveniently without any problem. I repeat, this is a result of the confidence that the company enjoys among the international banking agencies.

MERCADO: Have the loans which the company obtained abroad been without the government's endorsement, merely with YPF's image?

Abriata: In all instances they have been with the government's endorsement, but I think that this is a matter of method, and not because YPF could not have procured them through its own facilities, since it has a high degree of reliability in the international area.

MERCADO: During the past 30 days, has the company been able to procure any good loan from the standpoint of terms and interest rate?

Abriata: Well, we have had some sizable offers, in a suitable amount. In any event, it must be realized that the opportunity for taking the offer is not established by the company at all, but rather comes within a general context wherein the authorities in the economic area are the ones who decide. When the opportunity arrives for YPF, we shall not have any kind of problem in procuring major long-term credit under the normal market terms.

MERCADO: Since there is a short-term debt of nearly \$3.3 billion, when do you estimate as a proper time for YPF to be able to approach the international market without causing serious internal problems for the company?

Abriata: Well, it is not I nor the company that can make this kind of decision; I repeat, it is a matter inherent in the economic authorities. But I think that before the end of the year we shall have an opportunity to improve the debt profile.

MERCADO: You mentioned a production for this year of close to 28 million cubic meters. We know that the situation is not totally good for the contracting companies which are working on drilling, or for those working on extraction. Could such a volume be maintained in this situation, or might production decline?

Abriata: I am quite confident that the extraction volumes accrued by the companies associated with YPF through operational contracts will not decline by any means. At a work meeting held on 15 September at the Government House, the chief executive issued very clearcut and precise instructions in this regard. Therefore, I am quite confident that the activity in which we are engaged to establish fair groundrules between the companies and YPF, so that both parties will have access to what belongs to them, with justice and equity, will make it possible to maintain the current production; and, furthermore, I believe that it will increase.

MERCADO: What appears important in this area is an item of information that you mentioned, namely, the \$120 per cubic meter that its extraction costs YPF. To some extent this, or some other, would be the price that would have to be reflected in the contracts, but actually one higher than what it is currently....

Abriata: The contracting companies, on the average, receive an income less than \$110 or \$120 per cubic meter. At any rate, each company is a different problem; each one of them will have to have a price geared to the effort that it is making, the size of the deposit that it is exploiting and the potential of that deposit, which will enable it to obtain suitable profitability. I don't consider it feasible to give a definite figure now, but it is, indeed, important to stress that the factors which we have just mentioned must be considered for a future readjustment of the current average.

MERCADO: Can it be confirmed that, last month, the major exploration companies working in the country at least appeared before the competent authorities to point out the fact that they are currently at a very low point of profitability?

Abriata: The ones which have appeared before YPF and, I suppose, must also have expressed their position in other areas to some extent, are the operating companies. Those which are under a risk contract have a different type of management.

MERCADO: We are referring specifically to Esso, Shell, Amoco and the genuinely national companies....

Abriata: Yes, these companies have made their appearances, and it is precisely on that basis that both the YPF board of directors and the chief executive himself have issued precise instructions for an analysis of the problem in depth, seeking the suitable area of rationality for considering the situation properly. Those instructions are currently being implemented in their entirety.

MERCADO: How could that implementation be specified?

Abriata: I think that it would be helpful to note that the parties are holding talks now, attempting to find a feasible formula for making the operation profitable both for the private sector and the state-owned sector.

MERCADO: Are talks being held between the companies and Government Oil Deposits?

Abriata: Yes, sir.

MERCADO: This will have to be backed in some way by the chief executive and the Ministry of Economy, will it not?

Abriata: Fundamentally by the chief executive, because the contracts which associate these companies with YPF were, in each instance, supported by a decree; so each new situation will have to be brought up through a decree from the chief executive.

MERCADO: The other problem that exists has occurred with the medium-sized Argentine companies which are the drillers, and which deliver the oil to YPF through the drilling contracts. We understand that some of these companies are in rather critical situations; at least that is what one hears in the private area. Are they also taken into consideration in this negotiating system? How does the situation stand?

Abriata: There are two substantially different problems. The drilling companies work through service contracts, and YPF pays for the work that they do; in other words, they are not contracts like the operational ones. It is true that this year, to date, the drilling contracting companies have halted a sizable portion of their equipment. This is not because we have greatly reduced the number of wells to be drilled. It so happens that, in a difficult economic context, YPF has expended the greatest effort to accrue the best yield from its own drilling capacity. In other words, it has engaged in intensive activity, causing a greater production through its own means. So, understandably, a lesser number of wells have remained to be drilled by private industry. Moreover, the lesser profitability of the areas under operational contracts has also prompted the private firms to reduce their share of the drilling.

But this is a problem of serious concern to the YPF board of directors which, following the instructions from the chief executive to maintain a sizable increase in production, has been analyzing for about a month all the existing possibilities for drilling locations, in order to reactivate the work of the companies, because the drilling equipment cannot remain idle; not only because that would cause a loss for the companies, but also because if, at some time, it were to leave the country, owing to lack of work, or reconvert to another activity, when the country needed it again it would take a very long time to reactivate it; in other words, we would be faced with a serious problem. Consequently, since oil is a critical and tremendously important area, YPF has done everything in its power and is attempting to solve the problem, so that the drilling companies may initiate their normal activity in what remains of the year, including, if possible, going ahead with next year's drilling program.

MERCADO: Don't you think that an economic and financial type of problem exists in these companies? In other words, that the cost of the drilling exceeds what YPF is paying them per meter drilled?

Abriata: YPF has made a drilling cost study, establishing the minimum and maximum efficiency level by considering typical equipment for different sections of the country. At present, we are adjusting that cost study in order to arrive at a clear element for comparison, so that the contracts will be reasonable for both sides, private industry will obtain the profitability which befits it and the services rendered to YPF will be performed at a reasonable cost that the state company can pay. That study is well under way, and it has been subjected to consecutive adjustments. Therefore, it will be on the basis of the results of that experience that we shall contract the service companies again. However, it is important to explain that there are clearcut instructions from the national chief executive for private industry to have the greatest possible participation in both the exploration and exploitation of the country's oil.

MERCADO: What is the status of the offshore and onshore risk contracts?

Abriata: The companies are operating normally in accordance with the established agreements, but there is nothing remarkable that is actually new in this sector.

MERCADO: If there is not a more or less reasonable solution for what might be termed an extraction contract, could this have any detrimental effect on these risk contracts?

Abriata: At the present time we in the company are analyzing new contracting methods which would to some extent fit into the law on risk contracts that is in effect....

MERCADO: In this case, is it true that the Colombian model would be adopted?

Abriata: A very dynamic and enthusiastic study is being made of a new type of contract known as an "association contract." Of course, it is not an invention of YPF, but we have been inspired by other contracting methods that are well known in the world. In this system, I can tell you that there is a degree of similarity with the systems used by Colombia.

MERCADO: Generally speaking what is the mechanism of the Colombian-type contracts?

Abriata: In the contracts made by the Colombian company ECOPETROL [Colombian Petroleum Enterprise] three phases are stipulated. The first is one of seismic exploration, and in this case there is freedom for requesting areas. If the ECOPETROL firm agrees, it assigns the area, and the entity receiving it promises to engage in intensive seismic activity within a certain period of time. Now then, if that seismic activity shows that there is a potential deposit with favorable features for continuing, the company requests that the exploration process be completed by means of a second phase, through drilling. If, at the end of this second phase, the company finds that the deposit is commercially suitable, under these circumstances the state company's authorities decide whether or not to become associated in order to proceed to the third phase, which is that of the operation. In the event of an association, the contribution is made equally by both the private firms and the state company. Starting then, of all the oil that is obtained the state receives 20 percent of the production from the deposit as a royalty, and the rest is divided in equal portions among each of the partners. The private partner can dispose of it freely, either by selling it to other countries or selling it to the domestic market. This type of

contract has made it possible to give Colombia an amazing impetus in the oil industry, essentially in the areas of exploration and operation. Venezuela has other similar contracting methods. Argentina, for its part, is studying the measures that it deems most feasible, so as to achieve the greatest benefit, both for the private sector and for YPF and, eventually, for the country.

MERCADO: What other elements could be added to what you have just explained about YPF's future activity?

Abriata: I think that the most important point is that the president of the republic has made the decision to convert Argentina into an energy exporting country. To talk about exporting energy means, fundamentally, talking about hydrocarbons and, within this category, gas and oil. The country's vast gas-bearing reserves make Argentina important and significant from the standpoint of the presence of gas reserves. During our attendance at the Monetary Fund meeting, we talked not only with financiers but also with representatives of international oil companies, and all expressed an increased interest in participating in investment and development programs for procuring gas, and processing and exporting it. It is already being clearly proven that Argentina is starting to be, insofar as gas is concerned, a country of significance beyond its borders. Similarly, I can tell you that President Viola has ordered that the oil self-sufficiency be consolidated by 1983. What does consolidating mean? It means that we are already in a period of self-sufficiency which will have to be maintained in 1982, and which we shall have to consolidate in 1983; in other words, be in a position to maintain that situation. The president has also ordered an analysis to be made of all the possible options for initiating the process of exporting oil, whether crude or by-products, starting in 1984. That is to say, the decision to convert Argentina into an energy exporting country has been made in the area of hydrocarbons with great clarity. Gas has priority, but there is also an intention to have the country converted into an exporter of liquid hydrocarbons. I would like to point out to you that, this year, the balance of trade viewed from the standpoint of oil will be favorable for the country; in other words, not only have we become self-sufficient to some extent, but we have also exported more than we have imported.

MERCADO: What has been exported?

Abriata: As of now, we have exported mainly fuel oil, gas oil and coke. By the end of the year, we shall probably have exceeded 2.5 million equivalent tons of oil. Although the prices of the by-products have seasonal variations and depend on the international market, it is interesting to note that this will represent an approximate income of \$550 million for the country.

MERCADO: Regarding the future of the company, what other major prospect is offered for YPF?

Abriata: One interesting aspect is the implementation of the program for reconversion of the La Plata and Lujan de Cuyo refineries. Recently, a loan for \$200 million was signed with the World Bank, with which the financing of this major project will begin. The idea is to start the work simultaneously; but, in any case, that will be subject to the holding of the bidding. If everything is done with the precision that has been accomplished thus far, it is to be expected that by 1985 our modernized refineries will be in operation.

MERCADO: In what way will the financial plan be supplemented with private backing?

Abriata: This has been virtually discussed, and therefore we do not expect to have any type of problem in carrying out the plan. Furthermore, I can assure you that we shall obtain the funds required for accomplishing this work without any kind of worry. This work will mean a major increase in the efficiency of the refineries, which will afford us better utilization of the oil. It should be made clear that this reconversion of the refineries will not bring about a greater refining capacity, but rather greater efficiency in the refining, which will make it possible to respond better to the profile of the market demand.

MERCADO: There have been comments to the effect that if the problems in the sector, for which you said an effort is being made to seek solutions, are not settled in the next few months, there may possibly be a drop in production during 1982. What is your view in this respect?

Abriata: By no means. The decision of the chief executive is clear, and the company will not reduce its production levels. Furthermore, YPF is determined to make every effort necessary to increase its production capacity; and it should increase it, because we are quite confident that the country will grow, and hence a response should be given to the country.

MERCADO: What is a logical increment for 1982 over the 28 million cubic meters this year?

Abriata: An increment of between 2 and 3 percent in production might be considered a logical figure, because, in oil, the increases in production are not obtained through leaps, but rather gradually. The YPF board of directors is determined to make the necessary efforts during 1982 to be able to have a suitable response by next year and thereafter. There is an exploration process that must be carried out here; then there is the drilling to be accomplished; and from then on the production process starts. We cannot skip stages, but I am certain that we shall increase the present production level. Moreover, we are studying the necessary programs so that, during 1982, we may lay the groundwork required to afford a rather sizable increase starting in 1983.

MERCADO: How much new drilling is entailed in a production increase of 2 or 3 percent?

Abriata: To date, YPF has drilled approximately 650-700 wells, to which must be added another 200 wells drilled by the private companies in their operational and exploration areas. For the increase that you mention, taking into account the risks that are present in this industry, we would have to talk about an increase from 200 to 300 wells.

MERCADO: We know that you are a very ardent defender of private ownership. In this regard, what is your notion, even though it may be personal, of the possibility of making YPF private, and through what means?

Abriata: The company has already gone a long way in the direction of private ownership. I think that virtually all the YPF peripheral activity has been made private. The private entities also have extensive participation in all phases of the production process. In this regard, the exploration is not being done by YPF alone, but

the private firms also have a major role in the activity. As for the drilling, YPF's drilling equipment is quite similar to that of the private firms; which indicates that there is major private participation. In production, I can tell you that the private participation is about 35 percent. In the area of marketing, this activity is virtually in private hands, because from the storage plants to the sales outlets, nearly everything is in private hands. The only thing that YPF does is to oversee the activity, but the sales outlets are private, and the transportation is also.

Now then, there is something that I would like to explain, namely, the fact that I may be a person who definitely supports the participation of private entities in the oil business; but this does not mean that I am in any way seeking the diminishment of YPF. The company has reached a level and should maintain it with a high degree of efficiency; and here is where I think private industry can help us greatly in increasing that level of efficiency. But I also think that the private participation in general activity should increase so that what varies are the proportions, but not at the expense of diminishing YPF. In this connection, I think that the new contract methods that we are studying, or others that may be incorporated, will be the proper course of action to make the participation of the private entities in the company and in the sector viable.

2909

CSO: 3010/284

UNREALISTIC OIL PRICES BLAMED FOR INCREASED YPF DEBT

Buenos Aires MERCADO in Spanish 22 Oct 81 pp 20-25

[Article: "Oil, the Cost of the Supply"]

[Text] Within a few days, the authorities will have to make some very important decisions in the energy field that will of necessity cause heavy impacts on the rest of the economy. They will have to cope with a situation that is already tragic, realistically and with a large amount of political courage: The country is running the risk of losing its current degree of self-sufficiency and the potential for exporting energy during the 5-year period that will begin in 1985, if there is not a rapid increase in the prices of oil and fuel by-products. The present lag in those prices is destroying the finances of the companies, whether state or private, and whether engaged in producing oil as contractors or making the complete cycle of exploration, production, industrialization and marketing. The security of the energy supply achieved over the past 5 years is about to disappear. The indications in this regard are plentiful. The rate of increase in oil production during 1981 in comparison with last year is increasingly low, and is tending to be negative. If the estimate of the Ministry of Economy, Treasury and Finance to the effect that, in 1982, the country will grow at a rate of from 6 to 8 percent, gaged by the GDP, is correct, perhaps it will be necessary to import no fewer than a million cubic meters over the 1981 level. Thus far, the recession has masked the seriousness of the situation, but it is no solution for a problem which could mortgage the nation's future. Of 42 drilling rigs in private industry, 80 percent are inactive, awaiting the renegotiation of the contracts between YPF [Government Oil Deposits] and its contractors. Whereas international oil is priced at \$220 FOB, in Argentina the price is only something over \$60. So it is not strange that many companies have plans to transfer their rigs abroad, where the opportunities for profit are greater.

Without a profitable price, there are no opportunities to make gains, accumulate financial surpluses, obtain access to credit or make the necessary investments to progress in the self-sufficiency coefficient and reach the point of exporting energy surpluses. And there can be no economic growth in the modern world without energy. Today's profits are tomorrow's investments, and the new opportunities for jobs and greater economic activity beyond tomorrow.

And although this principle of profits, investments and economic development has been assimilated to perfection by the top-ranking policy decision making authorities in the country, the delays are commonplace. In spite of the obstacles on the

part of some officials, it seems that there will be solutions after a series of meetings held by President Viola with the Chamber of Industry and Oil and the Chamber of Argentine Oil Companies.

The lag in prices, the extraordinary rise in the financial cost which has a major effect on intensive capital activities, and the growing dollar debt based on the official policy suggested by the authorities between 1979 and 1980 have brought about a serious breakdown in the finances of the leading enterprise in the sector, namely, Government Oil Deposits. Its high level of indebtedness indicates either that realistic prices must be set, or that capital must be obtained through a subsidy from the Treasury. A higher price would be the most logical response, because experience indicates that government subsidies or supports are always insufficient, arriving too late and poorly. But a realistic price would also be an incentive to develop greater reserves and alternate sources of energy to replace oil, many of them renewable; and, on the other hand, to reduce a consumption which may be bordering on waste due to the low price levels.

The importance of realistic rates and companies with sound finances was emphasized by the minister of public works and services, Gen (ret) Diego Urricariet. He explained: "The country does not yet have an adequate infrastructure, and the major efforts that have been made in recent years must be continued for many more years, in order to endow the country with the services which its development and the aspirations of its people demand. But it is nevertheless true that this development can be achieved only if it is attained through solidly established borrowing companies in a stable economic and financial position. And, in order to accomplish this, three preeminent conditions are required:

In the first place, the rates must recognize the real cost of rendering the services. Failing to do this means a lack of funds for the borrowing company but, essentially, from a general economic standpoint, it distorts the allocation of meager funds; because, upon subsidizing them, there is a fostering of their consumption in a position which is the reverse of the one that should logically be assumed.

Secondly, these companies need to be run efficiently, and their plans must include only the most profitable projects; and there must also be a constant improvement in their operating methods.

Thirdly, the satisfactory development of the infrastructure also requires a capital market and a financial market that will provide it with sufficient funds over the long term, in accordance with the nature of the projects being financed."

According to Minister Urricariet, together with economic rates, the need to manage the companies efficiently must be borne in mind. He remarked: "Efficiency is required for two reasons. In the first place, owing to an ethical imperative to the effect that there cannot be an improper use of funds that have been contributed by the community so that the best possible service will be rendered to it. In the second place, for an economic reason: Any inefficient use of funds, whatever its nature may be, is a cause of delay in the nation's growth, and hence it would hamper the population's prosperity."

In this regard, he stressed that the rate instability during the recent 5-year intervals has proven negative for planning any significant development, explaining that the increase in rates during the past year originated in taxes, as in the case of the VAT, and not in income for business owners. He ventured to say that the average level reached in 1978 was the one most suited for affording a relatively strong economic and financial position, but emphasized that, at the present time, the level is similar to that of 1980, and equal to that 21 years ago, at constant values.

General Urricariet noted that a new rate system is being designed, which will take into consideration the differences in transportation costs, and the greater or lesser cost of providing services, depending on their varied seasonality. It will recognize the true costs of production, and will include the marginal costs that are entailed in expansions of capacity. The new system will also have to make the policies on subsidies that are desired to be applied explicit. Just as it is realized what must be done, there is also a clear understanding of what must not be carried out, and what the bad projects are. He claimed: "The worst inefficiency consists of bad projects, because the waste involved in them is irreversible for many years, as many as their very useful life."

The need to have realistic approaches may stem from the analysis of the present price structure. The production factors receive less than 50 percent of the sales price to the public, and with that amount activities ranging from exploration to taking the fuels to the public must be accomplished. It would suffice merely to compare that amount with the price of other products, in order to have two immediate impressions: the small compensation that is given to production and the extraordinary portion taken by the state through taxes which account for the other 50 percent of the price. It is not strange that, more seriously than in jest, the president of YPF, Gen (ret) Guillermo Suarez Mason, said that the company is selling taxes with a little gasoline. And one can hardly talk about efficiency in a company such as YPF, when it not only sets its prices, but 50 percent consists of taxes.

Moreover, the reserves are a function of the prices. During the entire 1960's and virtually until 1976, the proven natural gas reserves fluctuated around 200 billion cubic meters, moving from 224 billion in 1961 to 200 billion in 1976. But, owing to the incentive of the price that occurred for hydrocarbons, the reserves increased to 432 billion in 1977 and to 641 billion cubic meters in 1980. There are actually serious expectations that deposits exist with an additional 250 billion more cubic meters.

These discoveries are the ones which brought about the possibility of exporting energy. One of the projects under study indicates the feasibility of building a gas pipeline from Rosario to the city of Sao Paulo, in Brazil, 2,200 kilometers in length, to carry 10 million cubic meters per day. The investment would be no less than \$2 billion, and each country would be responsible for financing the project in its own territory: 1,300 kilometers in Argentina and 900 kilometers in Brazil. To finance this project, two things are necessary: realistic rates and showing the banks a sound balance.

"In order to progress still further in self-sufficiency, and to reach the point of exporting energy, Argentina must have the courage to face the problem of fuel

prices." The remarks were made by the undersecretary of fuels in the Ministry of Public Works and Services, engineer Guillermo Wallbrecher, who commented that if the country attaches priority to self-sufficiency and is willing to sell surpluses of energy abroad, it will be necessary for Government Oil Deposits, State Gas and Government Coal Deposits to receive prices consistent with the international values for the oil, natural gas and coal that they produce. Wallbrecher stressed the inconsistency of YPF's receiving the equivalent of \$80 for each cubic meter of oil when the international FOB price of similar products is about \$220. And, of course, the low prices received by the entire group of companies, whether they be oil extractors or refiners, is also an inconsistency.

According to the undersecretary of fuels, it must be realized that one of the features of the nation is the availability of a varied supply of different conventional energy sources, and the potential for abundant sources of unconventional energy. He added that the country has large hydroelectric resources, abundant natural gas reserves, abundant uranium reserves, moderate oil reserves and major coal reserves. But, in addition, the development of new types of technology makes it possible to count on new intrinsic opportunities for utilizing new sources, such as solar and geothermal energy, biomass development and eolic development.

On the basis of this situation, Wallbrecher explained that there are four conditions for the national energy program:

The greatest possible use of renewable sources.

The greatest use of the most abundant perishable sources.

A more rational and efficient use of energy.

Technological support for the development of new sources.

The official asked: "If we have this potential situation, why should we be unable to use these energy resources to supply ourselves, to become exporters of surplus energy, to create new job sources, to help improve the level of income, to promote and develop technology and to give abundant work to the makers of capital goods?" He replied: "Simply because we lack sufficient courage to face the problems and set about working to surmount them as is proper." He added: "The main problems are the prices of crude oil and its fuel by-products, natural gas and coal, and, along with this, the false notion that a fuel price hike will produce an equal proportion of inflation. We are afraid of price hikes, because we immediately associate any increase with a future inflation; and this occurs because we attempt to disregard the fact that the cost which we do not pay directly with the respective price will be paid by us, whether we like it or not, by way of the tax or, what is worse, with genuine inflation."

Wallbrecher claimed that, for every cubic meter that it delivers to the refineries, including its own, YPF receives the equivalent of \$80; whereas the international FOB price of similar oils in the world is about \$220. The official asked: "How many products are there in Argentina which cost not only three times less than they do abroad, but even lower than that? Can the cost of exploration and development to extract the crude be ignored, whether it be done by YPF or a private company?"

According to the head of the Oil Industry Chamber, engineer Ruben D. Puentedura, energy is a world challenge which up until now has had an acceptable response from many standpoints, such as improved use of oil, its more rational use and the appearance of alternate sources. But, despite this progress, Puentedura indicates that certain data concerning the actual situation, both local and international, cannot be overlooked. One item is that, based on an annual energy consumption in Argentina estimated at about 42 equivalent tons of oil, 82 percent of that demand is met by oil and natural gas. For example, water power contributes only 10 percent, solid vegetal fuels contribute 4.5 percent and nuclear energy contributes slightly over 1 percent. This means that, regardless of how much emphasis the country places on converting its energy supply, for many years the basic portion will be provided by oil and natural gas. It means that, although it is proper to seek to replace non-renewable sources such as oil with other renewable ones such as water power, many years will elapse before significant changes can take place.

On the other hand, it must be realized that, although the worldwide projection indicates that the energy demand will have a far slighter increase than in the past, the world will continue to call for more and more energy. One estimate indicates that the world will require 65 percent more energy by the year 2000. And although it is a fact that the percentage of participation of coal, nuclear power and water power will increase, it is likewise a fact that there will be a greater demand for oil.

The world, which demanded 66 million barrels per day, will consume 70 million barrels per day by 1990, and 77 million barrels per day by 2000. While the consumption in the United States, Japan, Europe and other industrialized areas will not rise greatly, there will be a major increase in the developing countries.

According to Puentedura, the important aspect of this situation is that there will always be a heavy demand for oil, and the countries will be willing to pay its price; something that represents many job opportunities for the companies in precisely those countries which know how to value the security of the supply. In this context, Argentina should accept the reality: The era of cheap, plentiful energy is over. The oil priced at \$15 per cubic meter of the year 1973 is over, but there is the oil at \$220, which is the international price.

He adds that it must also be recognized that the wells are becoming increasingly deep and are located in more uncultivated areas, the technology is more expensive, the interest rate is higher and the wages must be larger. In addition, based on the shortage, many oil exporting countries have heightened the value of the product, and there is just one result: The era of cheap energy has ended.

He thinks that the discouragement of the sector could bring many negative consequences for the country, because a drilling rate of about 900 wells per year is needed, owing to the low productivity of this natural resource in Argentina. In order to produce 28 million cubic meters per year, with a productivity of 11 million cubic meters per year, and a productivity of 11 cubic meters per well per day, Argentina needs 6,822 wells, of which number only 500 are surging, while the other 6,322 require pumps and engines. This means that if Argentina had the productivity that Saudi Arabia has, for example, instead of 6,822 wells it would need only 35 wells, and the prices would be low. But the real situation is quite different.

Associated with that real situation is the fact that, in order to maintain the current production, the investment in well construction would amount to nearly \$1 billion; and then there must be added what is required for transportation, refining and marketing. A low price, if it should be maintained as it is at present, would only result in a lower rate of drilling, less production and more imports; however, there is of course one aggravating factor: the country has oil, but at a price level higher than the present one. The alternative does not seem very reasonable: because of not paying a more realistic price, to import at the strictly international price owing to a decline in production.

The price structure actually affects all those participating in the industry. During the first 8 months of 1981 (from 1 January to 31 August 1981), the sales prices of fuels increased 103.6 percent, but the levies increased 111.8 percent and the raw material, that is, the crude oil, increased 117.5 percent in price. The withholdings in other words, the portion remaining to the companies which process the fuels, rose 96.4 percent. If all those increments are deflated by the wholesale price index on the general level, we find that the increments in constant terms were 1 percent for the sales prices, 5 percent for the levies, and 7.9 percent for the value of the crude oil; whereas the withholdings declined 2.6 percent and the gross margin for the oil companies fell 20 percent.

Puentedura claimed that this situation brought about a sizable transfer of funds from the sector of the state and private oil industry engaged in transportation, refining and marketing to the end consumer who, although he is paying approximately the same price for energy that he was paying at the beginning of the year, is now paying a price that is 8 percent less when the comparison is made with the January 1978 price. And this situation is incompatible with a policy of conservation and rational use of non-renewable natural resources, as well as with the maximum impetus that should be given to the exploitation of energy resources.

An increase in prices is necessary, not only to give proper compensation to the factors of production and to spur on the discovery of new reserves, but also so as to make it possible to carry out a series of reconversions required by the structure of the energy supply. At the present time, there is a slight shortage of gasoline, but there is, simultaneously, a surplus of fuel oil, which will become increasingly large owing to the replacement of this fuel by natural gas. Therefore, it is quite logical to install equipment for conversion of that surplus heavy fuel so as to turn it into lighter fuel with a greater unit value and a better chance of replacing imports, and even of being exported. But, Puentedura adds, we must not forget that the reconversions of refineries are expensive, and there must be funds to pay for them; and it all begins with a good price.

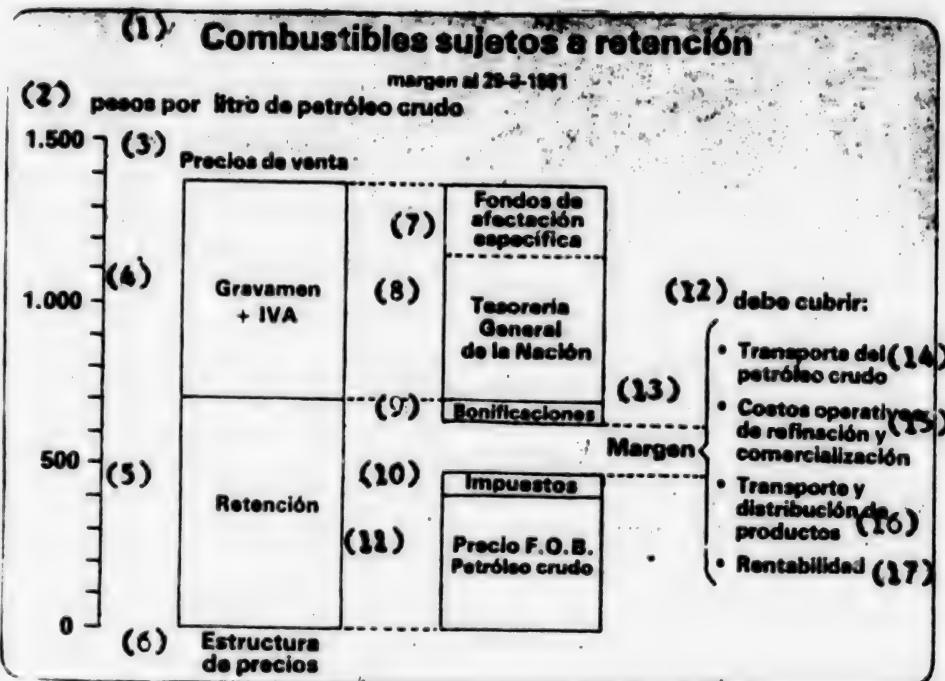
With regard to the essential problem, of course, Wallbrecher admits that a price adjustment between \$80 and \$220 per cubic meter could prove to be very upsetting over the short term, but he stresses that such a large gap cannot be maintained. One alternative would be to seek an intermediate price that would make it possible to improve production, make new income available, and multiply the job opportunities for engineers, technicians and workers, and the activities for the companies producing goods and services.

With regard to the price of fuels, primarily gasoline and gas oil which are the ones with the most sales, the undersecretary is of the opinion that it is rather

far removed from the average prices in the countries with a certain degree of industrial development. The Argentine price is between 25 and 40 percent lower than the price in other countries, such as Great Britain, which are at the brink of self-sufficiency and which are receiving oil, rather expensive oil to be sure, from their offshore development in the North Sea.

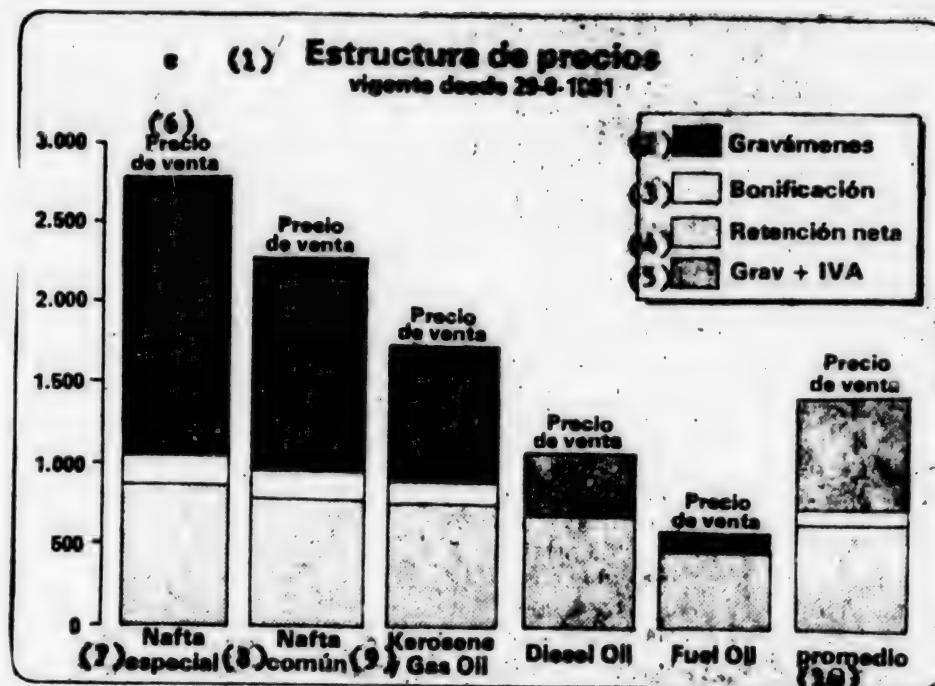
According to the undersecretary, an analysis of the evolution of prices in Argentina shows one of the oddest situations in the modern world. On the graphs one can observe the variation in sales prices and the percentage which went to the industry (withholding), adjusted according to the wholesale price index, with a conclusion which strikes the observer: In 1981, fuels continued to cost virtually the same, in real terms, as in 1960. And this means that the oil price hikes of 1973-74, and the second onslaught in 1979, were ignored in the country's price structure. Wallbrecher commented: "There is nothing good about this, because since the relative value of these goods has declined, their indiscriminate consumption has been fostered, and it has become difficult to implement sound policies for rational use of energy with which no sensible person could disagree." The highest rates for fuels were registered in 1974 and 1975; and they fell below the base in mid-1977, gaining ground at the end of that year. From the beginning of 1978 to date, the withholding prices, that is, what remains to industrial and commercial activity, have been below the 1960 index price.

The undersecretary said that the situation is actually worse. When companies such as YPF and State Gas do not have profitable prices, by means of the Treasury subsidy the only thing that can be done, at best, is to restore the operating cost. Once the possibility of indebtedness has been exhausted, the facilities come to a standstill, the programs are not implemented and the desire for self-sufficiency and for converting the country into an energy exporter becomes a mere dream. "I believe that all Argentines are tired of unfulfilled dreams, and of hearing that this is a rich country. We cannot fail to realize that, in order to be rich, one must strive, work, save and pay for goods and services what they are worth and what is required for their expansion to take place. Anything else is a dream."



Key:

1. Fuels Subject to Withholding (margin up to 29 August 1981)
2. Pesos per liter of crude oil
3. Sales prices
4. Levy + VAT
5. Withholding
6. Price structure
7. Funds with specific appropriation
8. General Treasury of the Nation
9. Discounts
10. Taxes
11. FOB price of crude oil
12. Must cover
13. Margin
14. Transportation of crude oil
15. Operating costs for refining and marketing
16. Transportation and distribution of products
17. Income return



Key:

1. Price Structure (in effect since 29 August 1981)
 2. Levies
 3. Discount
 4. Net withholding
 5. Levy + VAT
 6. Sales price
 7. Special gasoline
 8. Regular gasoline
 9. Kerosene and gas oil
 10. Average

2909

CSO: 3010/284

MIDDLE PARANA PROJECT RECEIVES PRIORITY

Buenos Aires LA PRENSA in Spanish 22 Oct 81 p 13

[Text] The undersecretary of energy, Bernardo Bronstein, disclosed in advance the possibility that the Middle Parana project "would continue ahead" in the event that "any of the other (hydroelectric) projects could not be accomplished on time."

He remarked: "If any of those national or binational projects (he gave as examples Piedra del AgUILA, Corpus and Garabi) should encounter difficulties, or be impossible to complete on time, there would obviously have to be a change in the sequence of the work, and it is possible that the Middle Parana project would be stepped up slightly in time."

Bronstein made statements at Ezeiza shortly after arriving from the Soviet Union, heading an Argentine technical-economic mission the purpose of which was to make purchases in that country "for the shortest period" and "to ascertain the intensification of the trade for the next few years."

He noted that "the first objective has been met satisfactorily," adding that "certain elements for YPF, Argentine Railroads and State Gas have been included in a memorandum" which will be analyzed later by those companies, "abiding by the terms relating to quality, price and delivery time."

He was emphatic in stating that, in all these negotiations, "a suitable participation has been retained for the national industry in the process associated with the state companies."

He said that Argentina "had moderately committed itself" to making \$50 million in purchases, but explained that "we have not reached even half that figure;" adding that the total is "slightly under that sum."

Bronstein said that the Soviet enterprises had been requested to increase "the supply of information to our companies," so that, starting then, steps might be taken to intensify the trade over the medium term.

With regard to the Soviet interest in participating in the construction of hydroelectric complexes, he commented that "the desire to continue the discussions was consolidated, if the Argentine Government should so decide;" and announced that new missions would be traveling to Moscow during the next few months to consolidate the commercial agreement.

The visit paid by this mission took place within the context of the Soviet desire to increase its sales to Argentina, a country which has a highly favorable trade balance amounting to \$1.9 billion.

2909

CSO: 3010/284

BRIEFS

NEW OIL WELL--Bogota, 17 Nov (AFP)--Carlos Rodado, Colombian minister of mines and energy, today announced that a new oil well that could produce up to 10,000 daily barrels of crude oil has been discovered in the eastern plains of Colombia, near the border with Venezuela, in the area of Apiay. The minister added that the government will soon be making important announcements regarding oil matters. Colombia is trying to regain its oil export capacity by 1990 which it lost in 1975. [PA190118 Paris AFP in Spanish 1456 GMT 17 Nov 81 PA]

CSO: 3010/315

PERUVIAN INDUSTRY MINISTER VISITS ECUADOR

Lima EL COMERCIO in Spanish 15 Oct 81 p B-4

[Text] Quito, 14 Oct (AFP)--Peruvian Minister of Industry, Tourism, and Integration Roberto Persivale admitted that there was excessive government absorption of his country's economy during the rule by the Armed Forces, and he defended the flexibility of Decision 24 which regulates foreign capital in the Andean Group.

Persivale heads a committee made up of Peruvian government and economic and private sector officials which is holding talks in Quito with the government and business sectors of Ecuador to resolve problems which have arisen in the Cartagena agreement on trade between the two countries.

The Peruvian mission had meetings in Guayaquil yesterday, and beginning this morning there is a working session with the Ecuadorean Ministry of Industry, Trade, and Integration.

In a press release, the Peruvian minister stated that the previous government was a "statist" one and encouraged a businessman's government, which caused the Peruvian economy serious problems.

He affirmed that the current government of President Belaunde is different and encourages a "smaller government" in terms of its involvement in the nation's economy.

Persivale stressed that the current Peruvian government leans toward a promoter-type of government, which is not so much concerned with the microeconomy as with the macroeconomy.

He recalled that during the previous administration there were highly developed industries in Peru which, after the government's intervention, became businesses operating at a loss.

"Now we are going to put all our efforts into encouraging Peru's economic growth, but in the hands of the private sector," he said.

The minister stressed that the Peruvian Government is now seeking to have many fewer companies in government hands, leaving the running of the economy to private companies, so that the government can use its meager resources to

finance education, public works, and other projects of real benefit to the public.

Commenting on Decision 24 which regulates foreign investment in the Andean area, the Peruvian minister defended its flexibility.

He recalled that in Decision 24, the Andean Group stipulates a term of 15 years in which 51 percent of all businesses must be transferred to Peruvian hands.

He noted that there is enough time in that period for the investor to recover his investment and begin to make a reasonable profit.

8587
CSO: 3010/110

GEOPOLITICAL SIGNIFICANCE OF RIVER PLATE BASIN REVIEWED

Buenos Aires ESTRATEGIA in Spanish No 69 pp 67-72

[Article by retired Col Florentino Diaz Loza: "Geopolitics of the River Plate Basin, the Argentine Parana"]

[Text] 1. Policy and Strategy

Geographic integration is one of the main elements of national integration, and it requires a policy and a strategy based on a sound and far-reaching approach.

The National River Plate Basin, a vital geohistorical region, must be developed on the basis of a comprehensive approach that meets the requirements mentioned in the previous paragraph.

Our worst mistakes in this area have been to consistently rank international issues over national ones, to break down and divide up problems, to negotiate hastily and improperly and to surrender spheres of influence in various fields and areas.

All of these mistakes stem from an erroneous geopolitical approach and the lack of a guiding policy and a national strategy to safeguard our interests from the ongoing and planned actions pursued in time and space by interests contrary to the Argentine nation.

In general a policy for the National River Plate Basin must view it as a pivotal hub for unifying the republic and integrating it into the Southern Cone. To this end, our strategy must comprise three maneuvers: the internal maneuver, the external maneuver and the psychological maneuver.

The internal maneuver will doubtless be fundamental and will include three courses of action:

1. NEA [northeastern Argentina] Operation
2. South-North Operation
3. NOA [northwestern Argentina] Operation

I will not go into detail on these operations because this is not the issue at hand. I have referred to policy and strategy to point out that no project or undertaking should be considered in isolation from a comprehensive, unifying approach to our national territory.

The so-called Middle Parana I and II Project (the Argentine Parana would be more accurate) is a basic tool in the internal maneuver, South-North Operation, along the center line of the Parana River.

2. Multiple Uses

The Argentine Parana (Middle Parana Project) consists basically of two projects: a northern dam at kilometer 980 (Reconquista) and a southern dam at kilometer 680 (Curtiembre), which are called "Pati" and "Chapeton," respectively (See Map 1).

The nation's water and power agency is supervising the technical studies and has contracted a Soviet enterprise to develop a project blueprint.

The two dams are being built for the following purposes:

2.1 Navigation: Barranqueras and Corrientes will have a depth of 21 feet. This is the most important facet of the project.

2.2 Energy: an installed capacity of 4,000 megawatts, generating capacity of 29,000 gigawatt/hours a year. This is roughly equivalent to the power that Argentina will obtain from the Yacyreta-Apipe, Corpus and Salto Grande bilateral projects.

2.3 Protection from the heavy overflows of the Parana River (flood damage).

2.4 Reclamation of land for farming (500,000 hectares).

2.5 Irrigation in certain areas to make optimum use of lands.

2.6 Communications, by means of the dam crests, by road and by rail.

2.7 Consumption uses.

In light of these objectives, we must examine the true nature and significance of the problems involved. In other words, we must focus geopolitically on the entire River Plate Basin region in our country, in particular as regards the integration and development of the various districts there.

3. Geopolitical Significance

The Argentine Parana has a role of major consequence and is interdependent with the rest of the projects under way and under study. This undertaking will be vitally important in optimizing the other projects, which, in turn, will help to optimize its operations. I am talking especially about the Bermejo River Project (See Map 2).

The project will make navigation possible up to Corrientes-Barranqueras, with sufficient depth to make this hub an ocean port for regional products and a port of transshipment for future navigation on the Bermejo River and on an enhanced Paraguay River.

This will enable the basin's focal area to extend into the NEA, thus facilitating the development of this region, of the Republic of Paraguay and of the NOA.

When its power output links up with the national electricity grid, it will supply about as much power as two Yacyretas, but it will be exclusively domestic.

The series of projects will regulate river flows and thus appreciably cut down on devastating floods and provide an irrigation system in certain areas. Lands will thus be systematically brought into production.

The sediment and erosion problem will be resolved when the dams are complemented with the flood control, flow hookup, etc projects to be undertaken in the Upper Basin of the Bermejo River.

Thus, the Argentine Parana will geopolitically link the NEA and NOA by promoting the comprehensive and integrated development of these regions. This has a direct bearing on national security, because territories will be occupied, the population there will increase, the economy will be enhanced and the entire region will be transformed into a springboard for geographic links with the Southern Cone.

The Argentine Parana projects will thus act as "geographic solder"; will create development hubs and poles; will be a springboard for expansion by shifting the weight of the basin's focal point to the interior of our country; will shore up critical areas; will expand and round out our system of communications; will support the development of large empty spaces; will incorporate new lands; will expand irrigation; will control flooding; will facilitate integration with our neighbors and offset over time the impact of Itaipu.

Argentina does not have a single dam on its side of the basin, compared to at least 45 projects in Brazil's basin. Argentina has not yet responded appropriately to its neighbor's policy of rapid development and continental expansion. And Argentina has not yet employed its most suitable and decisive tools in the necessary task of unifying and integrating its territory in the basin.

The Argentine Parana is of major strategic importance in meeting the challenge that faces us. The Argentine Parana is a fundamental part of the strategic plan for the National River Plate Basin territory, with its geopolitical implications.

This is not an economic and financial problem. It is basically a political problem. Therefore, the decision is up to the politicians, not the technocrats.

EL PARANA ARGENTINO

Grafico 1

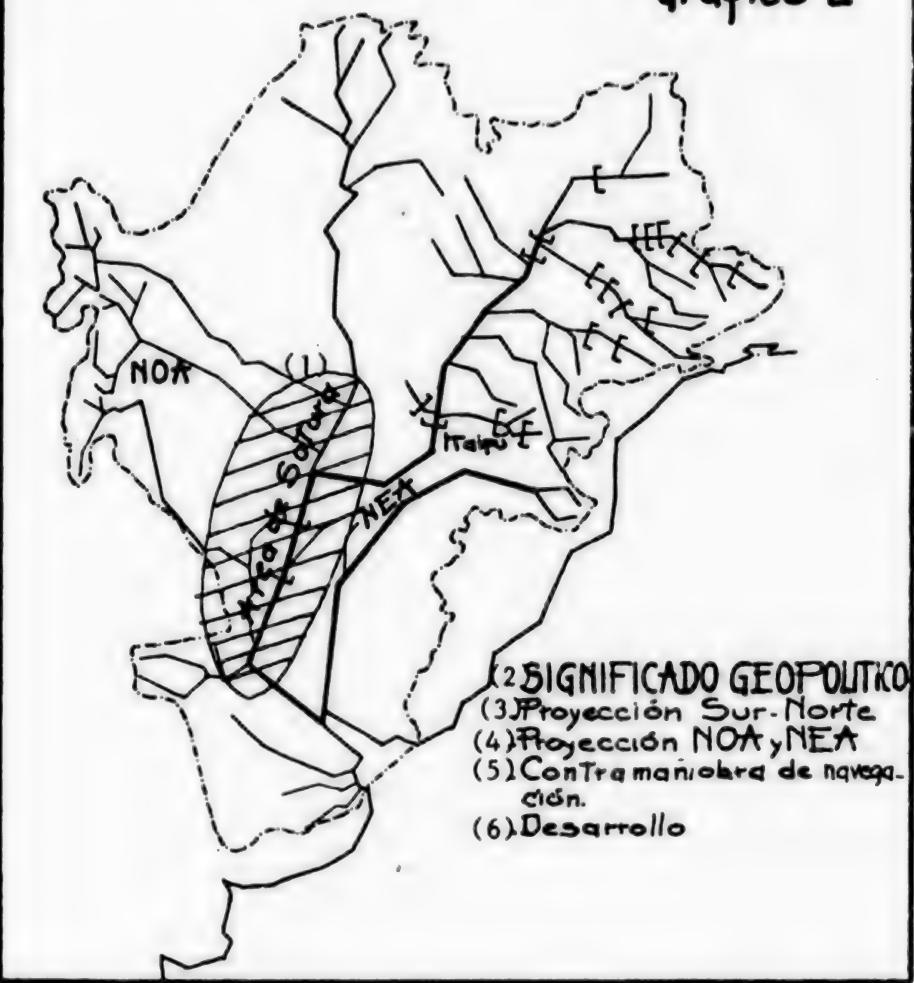


Key:

1. Navigation
2. Energy
3. Flood control
4. Land reclamation
5. Irrigation
6. Communications
7. Consumption uses
8. Uses
9. North-South axis

EL PARANA ARGENTINO

Grafico 2



Key:

1. Seam area
2. Geopolitical significance
3. South-North projection
4. Northwest and northeast projection
5. Navigation countermaneuver
6. Development

8743

CSO: 3010/280

STRONGER RELATIONS WITH AFRICAN NATIONS URGED

Buenos Aires ESTRATEGIA in Spanish No 69 pp 82-91

[Article by Gladys Lechini: "An Argentine Policy Towards Africa"]

[Text] The world scene today is marked by sweeping changes in the correlation of forces in the international political system. New political forces are taking shape beside the superpowers, and the emergence of new power centers is giving rise to a multipolar system.

At a juncture marked by the rapid erosion of the semblance of world order imposed by the summit agreements between the superpowers, so-called "detente," Argentina and Latin America, as well as the revolutionary Islamic-Arab world and the African continent, jolted by internal problems or developments prompted indirectly by outside powers, are in pivotal positions to try and seek a new world panorama.

Thus, this new international order could be achieved through coordinated political and/or economic action by the countries of the southern hemisphere.

As the poles of political, economic, scientific and technological power multiply in the developed and in certain intermediate countries, there are sufficient opportunities for successfully developing policies of autonomous development and for achieving input in the system's decision-making. To this end, the intermediate and minor actors must formulate joint policies and pursue individual and collective courses of action.

In this context, Argentina will have to reassess and modify its international role, by helping to create a Latin American cooperative structure and by initiating and intensifying a rapprochement with "Afro-Asia," in order to gradually develop solid and mutually beneficial political and economic ties.

Argentina has to boost horizontal cooperative relations, consolidate existing markets and win over new ones, and develop an industrial, scientific and technological potential that will meet internal and external needs and enable us to take part in a process of worldwide innovations.

We have to keep in mind here the kinds of ties we want with other actors, as well as the capabilities and limitations of technological progress, while

selecting the sectors and spheres on which we should focus our attention. In this regard, Latin America is our top priority, followed by Africa, with which we trade minimally (in 1979 Argentina imported \$272,132,000 worth of goods from Africa out of a worldwide total of \$6,683,195,000 and exported to Africa goods valued at \$295,951,000 out of a total of \$7,810,764,000) and about whose economies, politics and cultures we know very little, inasmuch as it was always considered a marginal area for Argentine foreign policy.

How then should we approach a policy towards Africa?

First of all, we should acquire in-depth knowledge of the continent in general and of its regions, while focusing on certain countries whose geographic, political and economic situation makes them ideal candidates for stronger ties with us.

The states of Africa are, in general, politically unstable, and their ruling elites often represent a given ethnic group that has perpetuated itself in power by shifting tribal strife to the field of politics and economics.

The links that these elites maintain with the former mother countries are quite strong, even though they are politically independent nations, and we can note marked economic dependence on the former colonial power (read, the transnational corporations of the former colonial power, in particular). Foreign investments represent a majority in key sectors of the economy, and next to each power center in these new countries there are foreign experts who will obviously influence decision-making to their own countries' benefit, thus impeding potential rapprochements with intermediate countries.

Foreign investment tends to go into extractive industries and exports rather than the manufacture of capital goods and heavy industry. These countries thus remain essentially raw materials exporters and suffer chronic balance of payments deficits due to unfavorable terms of trade and the outflow of capital.

The transfer of technology, which is necessary to any industrialization process, is expensive and poorly suited to actual conditions in Africa.

Although these countries possess sizable resources (97 percent of the world's chromium reserves, 85 percent of its platinum, 64 percent of its gold, 50 percent of its manganese, 25 percent of its uranium, 13 percent of its copper, 20 percent of the world's hydroelectric potential, 70 percent of its cacao output, 33 percent of world coffee production, 50 percent of palmetto production, etc), with the exception of the oil-producing countries (Libya, Algeria, Nigeria and Gabon), there are more poor countries in Africa than on any other continent (according to the UN, 18 of the world's 25 poorest nations are in Africa). It accounts for only 2.7 percent of the world's gross national product.

These countries' vertical (bilateral) or multilateral (Lome I and II) relations with the former colonial powers and with certain developed countries

have forced them to consider boosting horizontal relations as a way of overcoming this subordination.

African integration processes (which certainly have their critics and shortcomings) would seem to be one of the only possibilities open to the African continent. They can join efforts in cooperative undertakings, save on the wasted effort involved in individual initiatives and thus expand their markets by properly locating industries and soundly regulating investment.

However, coordinated political decision-making among governments and power elites is a sine qua non to this end, and such political agreement is quite hard to achieve given the instability of the regimes, tribal squabbling and the alliance of certain interest groups with the former colonial powers.

Another possibility worth considering is boosting horizontal links with countries in the southern hemisphere (Argentina and Latin America) both economically and politically, with an eye towards the creation of producer associations that could function effectively by taking advantage of given world developments.

As we have seen, both Argentina and Africa are in subordinate positions in the current world hierarchy, and therefore every effort should be made to create and consolidate political, economic, scientific and cultural ties of a bilateral or multilateral nature with African countries.

Until the 1950's, Argentina's relations with the African colonies were triangular, that is to say, through the colonial powers (Europe). When most of these countries gained independence in the 1960's, our country set forth its anticolonialist stand at the United Nations, recognized the new states and established diplomatic relations with them. Moreover, it began efforts at coordination at the meetings that the Group of 77, which comprises the countries of the southern hemisphere, held in preparation for UNCTAD.

Ties were strengthened in the 1970's with the opening of embassies in African countries and vice-versa. The Argentine Embassy in Zaire opened its doors in 1972; the embassy in Tunis reopened the following year, and embassies were then set up in Libya, Liberia, Kenya and the Ivory Coast, with their respective consular sections. The embassy in Liberia was closed in 1977 and combined with the one in the Ivory Coast, while a new embassy was opened in Gabon in light of expanded relations. In turn, the African countries that have diplomatic representations in Argentina are: the United Arab Republic, Algeria, Gabon, Libya, South Africa, Zaire and Nigeria (Ghana and the Ivory Coast have embassies in Brazil that cover Argentina, and the other African countries have embassies in the United States that serve all of the Americas). In addition, Argentina has economic consulates in Algeria, Ivory Coast, Egypt, Kenya, Libya, Nigeria, Morocco and South Africa and embassies in Algeria, Ethiopia, Libya, Morocco, South Africa, Tunisia, Egypt, Ivory Coast, Kenya, Gabon, Nigeria, Senegal and Zaire.

Argentina has complemented the opening of embassies and consulates with diplomatic and trade missions. In 1962, the Llamazares mission visited

Morocco, Senegal, Ghana, Guinea, Nigeria, South Africa, Tanzania and Egypt. In 1974, the Arias-Potente trade mission from the Economy Ministry included the following countries: Senegal, Zaire, Nigeria, Tunisia, Sierra Leone, Morocco, Liberia, Guinea, Egypt, the Ivory Coast and Algeria. We submitted proposals for trade and economic cooperation agreements with almost all of these countries. Two Argentine missions swung through several countries on the continent in 1978. In March, Foreign Ministry officials met in Dakar (Senegal) with Argentina's ambassadors to black Africa (Zaire, Nigeria, Ivory Coast, Kenya, Ethiopia and Senegal) to exchange in-depth information on the domestic situation in each country and to consider the possibility of boosting economic relations. Another similar meeting was held in Morocco with Argentina's ambassadors to Arab Africa (Morocco, Algeria and Libya). Towards the close of the same year, another mission, headed by the national director of trade development and including private business and bank representatives, was in Senegal, Cameroon, Gabon and the Ivory Coast.

In early 1979 a trade mission headed for the Sudan and from there to Egypt and Saudi Arabia to secure an active presence for Argentina in these countries. In addition, members of the Foreign Ministry visited countries in Western Africa in 1980, and a trade mission to French-speaking Africa achieved commendable results in Cameroon, Gabon, Senegal and the Ivory Coast.

A Political Approach to Africa

It is quite difficult for Argentina to formulate a policy towards Africa that serves the interests of both parties, particularly because of the diversity of national situations and the complex stratification of current relations.

It is easier and more advisable, however, for Argentina to develop common ground in international forums, with mutual backing on such issues as decolonization (the Falkland Islands, South Africa and Namibia), disarmament and arms control, food (FAO), defense of raw materials and quotas, coordinated policies of raw materials production to safeguard these resources and potentially use them as a political weapon by forming producer associations, monetary and financial reorganization, the criteria that will govern the use and protection of natural resources, a stand on technology transfers and the regulation of foreign investment.

Argentina has points of agreement with African countries on all these issues in the North-South confrontation.

Stronger Commercial Ties

The area of economic cooperation and stronger commercial ties is where Argentina really has the best chance to pursue specific action leading to expanded relations of all kinds. By pursuing a pragmatic policy, our country has outstanding opportunities to sell its products on African markets and to purchase a number of raw materials.

- a) With respect to the oil-producing countries, the ones with the most income, Argentina has found them to be good suppliers of this important fuel. We are running a trade deficit with them, however, which could be balanced by sales of foodstuffs and technology for their industrialization processes.
- b) As far as the countries at intermediate stages of development are concerned, we can see that as African imports increase, the African countries gradually become aware of the need to expand their exports as well. To do this, they have to develop their industrial potential, which generates mounting demand for the capital goods, services and technology that we can provide them. Here lies one of our biggest opportunities, inasmuch as the machinery designed for our use (and the machinery adapted from highly sophisticated technologies) can be used in Africa to better advantage than European, Japanese or American equipment.
- c) With regard to the small countries, while acknowledging their small size, their economic nonviability, lack of international influence and minimal significance to Argentine trade, we can still show what Argentine can do for their development.

All of this does not imply that our objective is to consolidate a new economic dependence (in other words, getting the African countries to exchange their subordination to the former colonial powers, the United States and Japan for subordination to an intermediate-level country). Rather, our goal is to develop a partnership for joint production and cooperation through contractual ties between two or more states, between companies or between companies and states to negotiate and safeguard mutual interests and to make joint contributions under specific circumstances.

Such exchanges have taken place up to now somewhat sporadically, and it would therefore be productive to intensify them through contractual cooperation, by signing standard government-to-government agreements to pave the way for private activity.

Courses of Action

The following are specific courses of action to expand trade relations with the countries of Africa:

- Exchange of trade and/or private missions;
- Development of an export awareness in Argentina, with government and business becoming familiar with the African mentality, culture and way of life and with the maneuvers of ruling elites and pressure groups and gaining a clear idea of who really wields bargaining power there;
- Taking part in the competitive biddings staged by the African Development Fund and the African Development Bank; we should note Argentina's contribution

to the African Development Fund, as approved by Law 21,787 of May 1978 (participation in the African Development Bank is under study);

--Establishing relations with the secretaries general of the African Economic Communities to examine the possibilities of undertaking joint efforts and taking advantage of the expanded market that integration would provide;

--Making use of the advisory services of Argentina's and Africa's economic consulates and embassies;

--Taking advantage of the services of the embassies of African countries in our country that are willing to boost cooperation and trade with our nation;

--Referring to the Bulletin of Trade Opportunities and the Argentine Economic Information Magazine, as well as the Argentine-African Chambers of Commerce that advise exporters;

--Taking advantage of the benefits in the agreements reached by UNCTAD-GATT;

--Taking part in African fairs and extending invitations to fairs held in Argentina, as well as organizing fairs in Africa with suitable publicity by consulates and embassies and by advertising these events in specialized African journals, many of which are published in London or Paris;

--Granting loans to African countries to purchase our products;

--Expanding regular transportation lines to the African continent.

Africa needs the foodstuffs and farm products that Argentina can provide it, but it also needs industrial goods of all kinds, and we are in a position to furnish a significant percentage of them.

Moreover, Africa does not have its own technology and it needs alternate sources of imports, technology and services. In this regard, the Africans are interested in acquiring turn-key industrial plants or undertaking joint ventures, for which our country could provide capital, technology and services (One example is the Abidjan Hospital in the Ivory Coast. The contract for it, signed by the Ivory Coast Government and the Argentine consortium Hospitar, encompasses the design, construction work and outfitting. This is the first operation of its kind for Argentina).

The issue here is to support these countries in their attempts to lessen their dependency on the major powers by offering alternate markets for important sectors of their economies and by furnishing educational, scientific and technological know-how better tailored to developing countries.

Cultural Relations

Africans are very sensitive to an acknowledgement of their cultural values and traditions. In this regard, we could stress our similar colonial past (albeit separated by a century) and raise the possibility of enhancing cultural relations by publicizing the history and culture of the two peoples, signing cultural accords, exchanging students, teachers and researchers and creating an awareness of the closeness of the two continents.

The Brazilian Offensive

Thus, it is of basic importance to pursue a consistent course of action with respect to Africa if we do not want to lag behind other Latin American countries. Mexico has been pursuing an African policy for some time now; Colombia has announced a "major diplomatic opening up" to the vital centers of Africa; Chile is engaged in setting up embassies in Morocco, Zaire, Nigeria and the Ivory Coast, while Brazil holds the lead in boosting ties between Latin America and Africa.

From its traditional automatic alignment in the 1960's Brazil shifted to a policy of marked pragmatism because of its domestic economic difficulties, regarding the dark continent as "an overseas border."

The objective of this move was to win over new markets, guarantee oil supplies and secure loans and financing, because good relations with black Africa would mean a rapprochement with the Arab countries, which are potential consumers and a source of loans and investments.

Politically speaking, the new strategy was to firmly support decolonization, campaign against apartheid and acknowledge major ethnic and cultural affinities (read, Afro-Portuguese-Brazilian community). Brazil felt that by supporting liberation movements in Africa it would in no way align itself with the ideological stands underlying them, thus reaffirming its loyalty to the West. It conversed with the leaders of the liberation movements and was one of the first countries to recognize the newly independent Portuguese colonies. Relations were enhanced through visits to Africa by Brazilian authorities and by receiving African presidents and ministers who traveled to Brazil to establish bilateral contacts and trade.

In the economic sphere, Brazil sought to take advantage of climatic similarities and the possibility of offering noncomplex intermediate technology tailored to African needs. The one constant in Brazil's approach was to always present its own profile and never refer to the colonial legacy of the powers that used to dominate the continent.

It has pursued this policy in various ways. It set up embassies, sent missions to key countries (whether due to cultural influence in regional subsystems, the existence of world mineral reserves or "to put markets in order" in the case of shared products such as cacao or coffee), organized traveling expositions, attended all international fairs and gave financial backing. The Bank of Brazil formed a partnership with the Union of Swiss Banks and bought

48 percent of the shares in the International Bank for West Africa (BIAO), one of the oldest and strongest banks in West Africa with more than 130 branches in 13 countries in the region. A private group, Banco Real, set up shop in the Ivory Coast under the name of Banque Real de Cote d'Ivoire, to boost Brazilian foreign trade.

Conclusions

Africa, with a population of about 450 million, could represent a major export market for Argentina and yield good returns from a diplomatic standopint as well. We must, however, hasten the strengthening of ties with the continent.

When we realize that 78 percent of Africa's imports are foodstuffs, transportation equipment and manufactured goods, we see that Argentina's potential is enormous.

Several of these African countries stand out because of their political and economic stability, their geographic proximity (the ones on the west coast of Africa) or because they are promising markets for our products. Moreover, they belong to various economic communities, which means that as soon as Argentine goods and technology enter one country, they can spread to the other members of the community.

A look at our overall trade numbers shows that transactions with Africa are minimal. There was a sharp rise from 1961 to 1978, however, and our country does need suppliers of oil, metal ores, etc. Argentina has a worldwide reputation as a producer of foodstuffs, and many African countries buy these goods. Grains are the leading item, followed by meats of all kinds and meat products. These two categories accounted for 75 percent of Argentina's exports to Africa in 1977. A major change is taking place, however. Argentina is not only selling foodstuffs now; it is also supplying the techniques and cooperation to grow them, by boosting shipments of cold-storage vaults, mechanical breadmakers, dairy products plants, hospitals, etc.

Thus, Argentina has major opportunities to heighten horizontal cooperation with the countries of black Africa in the sociocultural, political and economic spheres, thus forging mutually beneficial ties.

In this way, intermediate and minor actors can formulate joint policies and pursue joint action in a bid to alter the current correlation of world forces, enhance their international bargaining power and play a more active role in the world community's decision-making.

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CAMILION DISCUSSES STRATEGY, OBJECTIVES OF FOREIGN POLICY

Buenos Aires ESTRATEGIA in Spanish No 69 pp 23-54

[Interview with Foreign Minister Dr Oscar Camilion by Enrique Alonso on 16 June 1981, place not specified; topic: Argentine foreign policy 1981]

[Text] Mr Foreign Minister: This is an interview for the journal ESTRATEGIA. In its first issue ESTRATEGIA published a major essay of yours in which you examined the structure of today's world as a preparatory step for establishing an Argentine foreign policy. Now that you head up the Foreign Ministry, how do you see the world? What significant changes have there been since 1969 and what should Argentina's strategy be in 1981 to achieve its national goals?

Dr Camilion: If I remember correctly, I said basically the following in 1969:

Nation States

First, the main actor in international politics continued to be the nation state. In 1981, I feel that this premise is still fully valid. The main actor in international politics is still the nation state. In other words, the state that continues along the path forged by the modern territorial states of absolutism and along the path of territorial states, attempts to integrate the populace through the community arrangement of the nation. I think that the nation state is still fully current, even though there might be new types of states for which the nation is still a goal, as well as other more integrated, more advanced and more consolidated types of states moving towards regional arrangements, like the European Economic Community, which have not yet become independent, however, of the interests of a national community as expressed through the nation state.

Military Bipolarity

If I remember correctly, in that article I outlined very briefly the political and economic picture in which nation states were pursuing their activities.

With regard to politics, I pointed to military bipolarity as the number one element, in other words, the element that involves what we could call the architectural backbone of the international system, which is always based on the ultimate sources of security, or, if we wish to put it differently, the

countries that in accordance with the technology of the times, possess the ultimate decision-making monopoly on peace and war.

Since in our day and age the decision-making power as to war and peace is very closely tied to the use of nuclear power, it would seem that 12 years later the same situation still holds. In other words, as far as security is concerned, the contemporary world is still, essentially, a bipolar world, given the insurmountable superiority of the United States and the Soviet Union vis-a-vis any other power, even those that have joined the nuclear club.

Bipolarity in the field of security is the ultimate backdrop against which the problems of security in our times are played out. This bipolarity has seemingly tended to intensify, rather than diminish, given the cumulative capabilities that the technology concentrated in the two major power centers has given rise to in recent years. Developments such as the latest Soviet submarines or the U.S. space shuttle have highlighted at the outset of this decade the qualitative gap between the two superpowers and the other powers.

The fact that a number of diplomatic efforts, such as the SALT talks, have been exerted in the interim to provide a legal framework for this bipolarity has merely confirmed it, and the setback that the U.S. Congress dealt SALT II is merely a detail in a process that, in any case, confirms the superpowers' decision to maintain strategic parity, in the worst case hypothesis.

All of the obstacles that world disarmament bargaining is now encountering; the crisis in the UN Disarmament Commission, the very need for whose existence was questioned at its latest meeting; the difficulties encountered in all fields (control of military spending, nuclear disarmament, conventional weapons disarmament); and the various stands that the United States and the Soviet Union have taken in each case, have merely caused previous diplomatic efforts to be repeated.

We could say that the situation has not changed ever since, in 1957, with the testing of the first intercontinental missiles, the United States and the Soviet Union embarked on a plan of strategic parity and mutual vulnerability. So, I feel that the first point of my previous analysis is still valid.

Coexistence

The second corollary was the fact that as a function of the equilibrium created by military parity, the two superpowers were destined to coexist or to live together (the nuance depends on the angle from which we view these words). It would seem that in 1981, in spite of the decisions and requests by the Reagan administration, the basic idea that the United States and the Soviet Union ought to find ways to live together in a world that has the capacity to destroy itself has not changed either with respect to the initial processes, which go back, say, to 1954 in Geneva.

It would also seem that the basic fact ultimately defining this type of coexistence has not changed either, to wit, not only the de facto situation

but also a sort of mutual legitimacy that the two superpowers have accorded each other. Today, we could not regard as defensible the theory of the inevitable collapse of capitalist powers that Soviet leaders used to propound (in his last book in 1953, shortly before he died, even Stalin defended the old theory of an inevitable war among the Western industrial countries), nor would the strategy of containment be valid today, insofar as it was based on the premise that fencing in the Soviet system was essentially aimed at toppling it (as George Kennan said in his famous telegram) as a result of its internal contradictions.

So then, we could say that the second premise, coexistence between the superpowers, still holds.

Breakup of Blocs

If I remember correctly, the third element that I mentioned in the article, as a corollary of the previous point, was the crisis in the blocs. By crisis in the blocs I mean the phenomenon that began to unfold in the 1950's in both the socialist countries and the industrial powers.

At the time, the centrifugal tendencies that the Gaullist opposition represented took hold as of 1958 when General de Gaulle returned to power and France began questioning certain basic elements of solidarity in the Atlantic community. Moreover, France also began pursuing a series of initiatives, even in the nuclear sphere, to set up a system of its own deterrents. On top of this we had the mounting world economic confrontations that accompanied the trend towards diminished unity in the blocs that had emerged in the postwar period.

In the socialist world, things proceeded in step from the first signs of unrest in Germany in 1953, Poland in 1956, Hungary in 1956 and the major explosion caused by Khrushchev's speech at the 20th Congress of the CPSU, which was the unquestionable starting point of China's secession.

China's breakoff began to develop from that point on, was consolidated under the policy of the "leap forward" and became obvious once and for all during the next decade, with the violent exchanges of notes between the two Central Committees of the Communist parties, culminating with the famous ninth note of the Central Committee of the Chinese Communist Party in 1963. We could say that the ultimate confirmation of this process came last year when the telegram of greetings from the Central Committee of the Chinese Communist Party to the Soviet Communist Party described relations between the two countries as marked by peaceful coexistence, which means in everyday language that China has ceased to regard the Soviet Union as a socialist country.

I certainly do not think that we can say today that there is a Chinese-Soviet monolith, as was stated at the beginning of the 1960's. Nor could we assert that the Western alliance is as dissent-free as it was when Eisenhower was president of the United States and Adenauer was chancellor of Germany. The

relationship between Schmidt and Carter, for example, illustrates how much the alliance has changed since its outset, especially when the alliance reached its peak when the FRG joined NATO in 1955.

Political Multipolarity

The fourth point I made was political multipolarity. If I remember correctly, I defined it as the status of a growing number of countries in a position to make significant decisions in pursuing their foreign policies, decisions that could even influence the course of action of the major powers.

This element seems to have intensified with respect to 1969. In recent years we have seen a multiplication of the phenomena that Nehru's India, Nasser's Egypt, Sukarno's Indonesia, Castro's Cuba or de Gaulle's France represented in their day.

The world in 1981 seems to have broken up into a truly complex series of power centers. Poland in Eastern Europe, El Salvador in Central America, Nicaragua in Central America, and especially Iran and Iraq, the foes in a war that broke out by surprise despite the precautions of the two superpowers, are equally significant examples of the reality of political multipolarity.

We can say that the trends have intensified in many areas in 1981, even close by the superpowers. In 1981 Romania has approved and legitimized a course of international action that on such critical issues as recognition of Israel, implied a stand that the Soviet Union long hesitated to take up but which it ultimately did. From its strong position as an oil exporter, Mexico, which also borders a superpower, has become a force in 1981 that has not only demonstrated its ability to pursue independent courses of action that can influence the policies of the superpowers, but also, as President Lopez-Portillo's recent visit to the United States and his meeting with Reagan show, has gotten the United States to legitimize their differences as issues that they can begin discussing from their respective stands in a friendly manner.

New Forms of War

I think that my fifth point was the new forms of war. By 1969 we had seen quite clearly that subversion and the techniques of antisubversive warfare were the new forms of combat that could arise within the framework of bipolarity and peaceful coexistence. In other words, the theory and practice of subversive warfare could be countered by the theory and practice of counterinsurgency.

What I was trying to say in a nutshell at the time was that we were in a process in which subversion was going to tend to internationalize its operational mechanisms and countersubversion was also going to tend to internationalize its defensive mechanisms.

It would seem that the 1970's repeatedly demonstrated that this trend was a clear-cut fact, and it would seem that we are still in this situation in 1981.

Crisis of Ideologies

I added another element, the relative crisis of ideologies, in the sense that countries in general were unwilling to base their foreign policies on superposed ideological values.

In other words, in their international conduct countries tended to emphasize their own interests, incorporated certain ideological values only as they had a bearing on their national interests but in general refused to subordinate foreign policy to ideological frameworks normally furnished from the outside.

It would also seem that there have been many international actions in recent years that have even violated dogmas that seemed inviolable for certain sectors of world thought. For example, it would have been very difficult to foresee in the 1970's that national interest, regardless of the country (and I am not qualifying here; this is an objective fact) could have moved a communist country like Vietnam to declare war on other states with the same system or could have caused an armed conflict between China and Vietnam over circumstances that obviously had nothing to do with ideologies and that, in contrast, were closely related to the general notions of what is commonly called a Bismarckian policy, which is based on a state's specific interests.

Internationalization of Economy

Complementing these political facts, I defined the major hallmark of the economic framework as the existence in the world of worldwide production forces, in other words, production forces that had the ability to produce goods and services for a market that by nature tended to be worldwide. In other words, we are talking about the ability of the production machine that industrial societies have developed and that necessarily encompasses the entire world and that, therefore, raises the issue of solvency all over the world and the need to find enough markets throughout the world to be suitably responsive to the development of the production forces that have arisen in both the capitalist and socialist markets.

I pointed out that there were two basic obstacles to the internationalization of the economy as a result of these world production forces. In the first place there was the obstacle posed by the division of systems. The fact that there was a capitalist industrial economy and a socialist industrial economy placed political limits on potential contacts in the normal expansion of trade, finance and monetary transactions.

The second major curb on the expansion of these world production forces was the second major international division, between development and underdevelopment.

Now then, I think that it became perfectly obvious in the 1970's that just as there was an East-West conflict, which was basically political in nature, there was also a North-South conflict, which was more structural, in other words, marked by the fact that the forces of production that had expanded mainly in the North could not find sufficiently reliable markets in the South.

Dissuasion from Development

The other factor that I noted and that is perhaps not worth reviewing in detail here, even though it still applies, was the approach offered the underdeveloped countries for achieving industrial development, normally by complying with certain prerequisites such as social development; such as purely mercantile solutions, in the sense of expanding traditional exports; such as birth control and regional integration. This issue warrants separate treatment because during the 1970's new prescriptions appeared that tried to dissuade developing states from making the leap to industrialization, such as the entire Club of Rome program or all of the ideologies having to do with ecology and zero growth, in other words, the entire philosophy that economic growth was bad in itself.

In previous decades, theories had, in contrast, been excuses for industrial development, whereas in the 1970's there was a direct assault on development, and the major centers instead tried to dissuade the developing countries from achieving the "unfortunate" status of the highly polluted powers.

Corporations

Finally, another basic element of world politics that I mentioned at the time was big corporations.

They are a basic element because worldwide corporations approach the problem of their growth on a worldwide scale and the problem posed by the world on the basis of the model that they regard as best suited to a proper allocation of resources and to a more harmonious development of all sectors. This argument is not essentially different from the one advanced by the first major theoreticians of modern economics and not basically different from Ricardo's argument, only updated to what was later called the "techno-tronic era."

I pointed out at the time that the idea of a world growth model made up of major corporations ran counter to the "irrational" aims of the nation state, which introduced a factor at variance with the idea of ordered world growth, inasmuch as a nation state does not have a more orderly allocation of resources as its basic, unshakable goal. It has other concerns, such as, for example, income security or redistribution, which run counter to the basic idea of the major international corporations, in the sense that as far as the corporations are concerned, the most even-handed justice could ultimately be attained through a more efficient allocation of resources on a worldwide scale.

In the article I made note of a term that has since gone somewhat out of fashion, the term "world corporations," the corporations that called themselves world. The president of one of them gave a definition that impressed me greatly, but I don't remember whether I included it in the article or not. He said that his was a "world corporation whose headquarters happened to be in the United States."

This categorical illustration of a world-encompassing philosophy seemed, at the close of the 1960's, to be a factor that warranted inclusion in analyzing the international problems of countries like Argentina or, in general, any other kind of country. Everything that has come to pass in recent years in connection with increasing sophistication in this field, both because of the further development of major multinational businesses; the debate that their activities have prompted in all forums, even international forums; the spread of their activities to the socialist world; the increasing efficiency that they have shown in accumulating financial and technological resources, and the efforts at coordination that several major groups have ultimately made to heighten their efficiency, all suggest that it was a good idea, at the close of the 1960's, to feed this piece of information into the computer.

Therefore, it would seem that there have not been substantive changes in the world over the past 12 years in terms of basic structure, although there have, of course, been additional significant developments.

ESTRATEGIA: I would like you to comment on the impact that the areas of unrest that have emerged in recent years, from the oil crisis to events in Afghanistan and Poland and the arms race, have had on this world panorama.

Foreign Minister: I think that the oil crisis has had the biggest impact of all these developments. The reason, of course, is that an analysis at the close of the 1960's was conditioned (it could not have been otherwise) by the phenomenal growth of mainly capitalist but also socialist industrial societies during that decade.

The 1950's had been more of a decade of major growth for socialist industrial societies, which began to evince symptoms of sluggishness in their previous pace during the 1960's, which in turn was a decade of great growth for European industrial societies.

In 1961, at the 21st Congress of the Soviet Communist Party, Mr Khrushchev asserted that his country would pull even with the United States by the end of the decade, based on a simple straight-line projection of the growth rates of the two countries' gross national products.

That did not, of course, come to pass. On the other hand, in 1957, after the Treaty of Rome and as Khrushchev was delivering that speech, the European Common Market was in the midst of expansion. The impact of its economic growth was among the most significant in the 20th century, as the countries of the European Community became and still are the world's leading commercial power.

Oil Crisis

These developments in the 1960's were important for an analysis in 1969. Of course, such an analysis influenced practically no far-sighted political observer, although some oil experts probably did have a notion of the major crisis that the Yom Kippur War would trigger by drastically boosting oil prices.

By the close of the 1970's it was obvious that the rise in oil prices was the single most important development affecting the destinies of all countries.

Bretton Woods Collapses

There are several reasons for this. First, because it severely upset or at least substantially altered the international monetary system and the international financial system. It shattered what remained of the old order of Bretton Woods, which had already been jolted by the United States early in the decade when Nixon decided in 1971 to sever the dollar's links with gold. But the oil crisis greatly intensified this trend, and today we are faced with a situation in which the major financial development is the increasing ability of a small number of countries, and even of a small number of individuals within those countries, to accumulate capital, which they are having mounting difficulties recycling in spheres of suitable investment, both in the industrialized and the developing countries.

Another piece of information for our analysis is the fact that this process has been accompanied by a recessionary trend in the economies of the industrialized countries, particularly in Europe.

A third element to consider is that the impact on the economies of the socialist countries has been as sharp or sharper than on the economies of Western Europe, because all their economies are completely dependent on imported oil, except Romania, which is partially dependent.

Agricultural Development

I think that the 1970's have seen another particularly significant economic development for all nations, especially countries like Argentina, to wit: the impressive rise in the agricultural potential of capitalist industrial societies. The United States has become the world's leading exporter in terms of both quantity and efficiency, and the countries in the temperate zone of Europe are increasingly becoming major food exporters, though they still lag in efficiency.

The industrialized countries are apparently responding to the mounting crisis posed by the challenge of limits by boosting their food production capacity, which has a particularly adverse impact on countries like Argentina and Australia, which are at obvious intermediate levels of development (lower levels in some sectors) and which basically lived comfortably off their exports to European countries.

Both Australia and Argentina (and it is no accident that the deputy prime minister of Australia was recently in Argentina) have been squeezed out of their traditional markets, and their traditional clients have become their most aggressive competitors on other markets that had remained outside the process of integration of the Mediterranean world [sic].

The Middle East

These are factors that must, of course, be included in our analysis. A number of world crises have not produced major changes since 1969. The situation in the Middle East is substantially the same as after the Six Day War. And the ultimate problem is still being addressed in practically the same terms as when the Palestinian issue was brought up for world debate at the United Nations some time ago.

The major development in the region has, of course, been Iran's shift from a key country for Western policy in the Middle East to a question mark that has both superpowers worried. It also introduces a factor of major unpredictability in an analysis of power relations in the region. The only certainty is that regardless of how reversible the process in Iran might be, it will never return to the status that it had under the shah.

All of this has been accompanied by other, equally significant "reversals of alliances." It would certainly not have been easy in 1969 to foresee the evolution of events in Egypt, which has been one of American diplomacy's most important and successful moves during the decade, regardless of the question marks still hanging over Camp David.

Camp David

In point of fact, the Camp David accords defused the most critical relationship in the region. As of now, it seems highly unlikely that hostilities will break out again between Israel and Egypt, which had always been the two main protagonists because Egypt posed a real strategic threat to Israel.

Nevertheless, we should acknowledge that the basic features of the conflict are the same as at the end of the 1960's (in the wake of the Six Day War), above all because the rest of the Arab world has failed to legitimize this process. Along with the rise in the relative power of the Arab world, this has somewhat offset the shift in alliances, as far as the Middle East conflict proper is concerned.

A number of new developments have taken place, for example the course charted by Libya within the Arab world, though its leanings are not, of course, shared by most of the other countries that make up the so-called Arab nation, if this term at all accurately describes a sociological fact. Significant new developments have also taken place in Africa in the wake of the collapse of Portugal's colonial empire, developments that have, of course, given the Soviet Union bargaining chips that it did not have the previous decade.

Vietnam and China

A significant but not unpredictable development took place in international politics in the 1970's: the end of the Vietnam war. The outcome of the war is not at odds with my previous political blueprint because I merely stated the fact that the United States had not correctly assessed what Vietnam represented to its national security.

The war in Vietnam ended when the Americans reached the conclusion that China was not a threat to its national security and that it did not have to pursue a policy of containment against China. As soon as Kissinger traveled to Peking, the Vietnam war ceased to have meaning and later faded away as a logical consequence of the new American security strategy.

One result of this, of course, was that a new state, Vietnam, and later other states of Indochina joined the group of nations controlled by communism. This did not, however, alter the system of the socialist countries. It merely introduced a new complicating element: a wayward power, Vietnam, wayward in the sense that it has always pursued objectives that go back centuries, now had to be dealt with.

The case of China merely confirmed the breakup of the original monolithic image or the monolithic reality of the socialist bloc. I think that all of these developments ultimately indicate that the process of political multipolarity is consolidating.

Africa

It remains to be seen to what extent developments in all African countries are ultimately related to nationalism, regardless of what kind of production system has been chosen by the various territorial states in Africa that hope to become nation states by integrating their tribes.

ESTRATEGIA: Given this framework, what is Argentina's policy towards the two superpowers?

Foreign Minister: Argentina-United States: If we leave aside the temporary disturbance caused by the Carter administration's human rights policy, or rather the application of the policy to Argentina, Argentina's strategic outlook vis-a-vis the United States obviously presents only minor areas of disagreement. First of all, Argentina is obviously a country of the Americas and we belong to the world of Western culture. This objective reaffirmation becomes increasingly important as the basis of our specific place in today's world. Thus, the attempts to deny Argentina's personality as a part of Western Civilization become more and more obviously anachronistic and alien.

This means that it is in the specific interest of the Argentine Republic to defend a series of ideas that are inherent to Western Civilization. The rights of the individual, the goal of freedom, democratic political objectives, and forms of economic growth ultimately linked to a private enterprise model

are all values that more and more Argentine political leaders are upholding as the 1980's unfold, at a time when there is an essentially alien ideological temptation to question these values.

This, of course, provides a candid starting point for Argentina's relationship with the United States. At the same time, there is no doubt either that Argentina and the United States have always had fields in which they could not agree. We might say that Argentina's status as a Western nation necessarily means that it does not fall automatically in line with any foreign policy directive charted from the outside. A Western country can and must have a policy based essentially on its national interest.

Nuclear Policy

On occasion, Argentina's national interests do not necessarily coincide with the United States'. Nuclear policy is a good example. Because of the United States' very understandable objectives in the field of world nuclear policy, including the issue of nonproliferation, Argentina finds it difficult to be in full agreement with the directives of the various U.S. administrations.

The United States would like Argentina to sign the Nuclear Nonproliferation Treaty, to ratify Tlatelolco and basically to agree to a system of comprehensive safeguards, like the one that the International Atomic Energy Agency somewhat surreptitiously tried to put forward recently in Vienna. Argentina is really determined to continue with its nuclear program, without accepting safeguards other than the ones that correspond individually to each of the processes that it acquires or to the items and products of a critical nuclear nature that it brings onto its territory.

Here we have a really clear case in which our position does not coincide with the United States', nor with any other industrialized country, including, no doubt, the Soviet Union.

The nuclear powers would of course like Argentina to join this global system of safeguards because ultimately they are not all that keen on technological transfers in this field, which can be considered among those best suited to a more or less oligopolistic concentration of science, industry and technology.

Different Priorities

It is also clear that there is no reason for Argentina to support certain U.S. stands and proposals on the Middle East, just as it would be hard to get the United States to make support of Argentina's rights over the Falkland Islands a priority of American foreign policy.

This kind of Argentine stand on the Middle East is understandable because the Middle East is actually somewhat outside its immediate security area. And a U.S. position like that on the Falkland Islands is understandable because of the ties that the United States has had, still has and surely will continue to have with the United Kingdom as its most significant, important and valuable ally.

So then, just as it would be naive to expect that the United States would mechanically support interests that are as clear-cut as Argentina's claim to part of its territory, it would be just as unreasonable to ask Argentina to automatically endorse initiatives that are not strictly relevant to its national interest or that fall outside its area of security.

Central America

There is one issue now on which we strongly agree: the situation in Central America. Argentina has really come to the conclusion about the situation in Central America that it is in our national interest to maintain the current stability, first of all, of course, based on the principle of nonintervention, but fundamentally in keeping with the premise that a jolt to stability among the countries of Central America would send shock waves through the continent that would have an adverse impact by radicalizing forces of every persuasion in the Americas and in the long run (or the short run) would also have an adverse impact on the national program currently under way in Argentina.

That is to say, leaving aside military action, which is strictly up to the countries in the region, Argentina is willing to give political, moral and economic support to the countries whose stability is currently being threatened, such as El Salvador.

Nonintervention

Furthermore, in this regard Argentina feels that the principle of non-intervention in the region must be reaffirmed more vigorously than ever, because experience has shown us that all of the forms of intervention undertaken in Latin America over the past 20 years have without fail wound up poorly and led to processes exactly the opposite of the ones initially proposed by the people attempting the intervention.

Human Rights

In a nutshell, Argentina now has to wipe the table clean of the crumbs that still remain with regard to the issue of human rights, in connection with its relations with the United States. There has been a particularly unpleasant development recently with regard to the human rights issue, as our country was portrayed, in a particularly crude account, as a center of world anti-Semitism. This is absolutely untrue, but it has made it hard for Argentina to defend itself because a country can defend itself if people tell it that it has prisoners who have not been given due legal process, since it can say: "We're really to blame for this" or, on the contrary, "We had to do it because of national security requirements," or "We're going to correct the situation when the time comes..." It is very difficult, however, to defend oneself against a negative. Demonstrating that Argentina is not a Fourth Reich overtaxes the ability of any country's diplomacy.

The Humphrey-Kennedy Amendment

Therefore, we have to wipe the human rights slate clean, and of course in this regard the Reagan administration has shown excellent goodwill. We have to realize, of course, that the political decision-making process in the United States is highly complex, which we will surely verify when Congress debates the revocation of the Humphrey-Kennedy amendment.

In conclusion, I would like to say that Argentina's natural, number one priority at the moment is to smooth out relations with the United States as much as possible. In my opinion, this is the number one priority as far as economic ties are concerned, especially investments.

Argentina-Soviet Union

With regard to the Soviet Union, we are having a commercial rapprochement that can in no way be regarded as short-term; rather, it has structural characteristics or overtones, in my opinion.

This development is partly due to what I said previously about the agricultural expansion of Western industrial countries, of the EEC, i.e. that Argentina lost its customers in capitalist Europe because of the development of technology and the green revolution in Europe.

At the same time, since our industrial development is not particularly strong at the moment and since our capacity as an industrial exporter has diminished, Argentina has come to depend on its farm product exports more heavily than before.

The Soviet Union emerged overnight as a major client, no doubt partly because of Carter's embargo and the correct decision by General Videla's government not to support it. But this political development merely brought an economic reality out into the open, to wit, that the most promising customers nowadays for a country like Argentina are not, to be sure, the countries of the Third World, which need food but cannot afford it, but rather the countries of the socialist industrial bloc, which have a highly inefficient agriculture or at least an agriculture to which they have not currently earmarked as many technological resources as Western Europe or the United States. At the same time, these countries are solvent.

Since it would seem that in the short run the socialist countries are not in a position to introduce dramatic changes in their agriculture, it would also seem that the Soviet Union and probably a number of other Eastern European countries will become natural clients of Argentine agricultural and livestock output in the immediate and intermediate future.

Meat Sales

Perhaps even more important than this expansion of agriculture is the agreement recently signed in Moscow that provides for increased Soviet purchases of

meat, which could be around 140,000 or 150,000 tons next year. The discovery of this new market for Argentine meat is a significant and, of course, very important development.

I think, naturally, that these trade developments are going to represent the hub of Argentina's relations with the socialist countries over the next few years, and they do raise a number of questions, for example, whether they could lead to a type of economic dependence similar to Argentina's ties to Great Britain at one point. The problems seem to lie more in the area of political vulnerability than economic dependence, because Argentina's traditional relationship entailed the sale of farm products to a market that exported industrial goods, the traditional British model.

Three-Sided Trade

This is obviously not the case with the Soviet Union, whose industrial export capacity is relatively limited, at least for a country with Argentina's economic structure. What we obviously have is a three-sided trade, because as I once said jokingly, we are paying off our dollar trade deficit with the Americans with the rubles that the Russians are sending us. Last year, the formula worked out perfectly: our deficit with the United States equaled our surplus with the Soviet Union.

But what we do have to keep in mind is that trade under such conditions could possibly lead to vulnerability, to the extent that there are certain world security problems that we are in no position to control.

Under present circumstances Argentina has shown itself to be a reliable supplier, and I think that this is the major reason why it now has the chance to be a priority supplier of the Soviet Union, above and beyond the narrow guidelines of the pact signed last year.

But certain international developments could doubtless take place that would make subsequent events unpredictable, even with regard to our currently smooth and surplus-yielding trade with the Soviet Union and potentially with other socialist countries.

So then, we entered the 1980's with a quite dramatic new twist in Argentine foreign trade: an accelerated loss of ground in the EEC, which has not been offset because of the lack of industrial exports (this is currently Brazil's major recourse vis-a-vis the Community) and the emergence of the Soviet Union as a major purchaser of our raw materials.

Trade Balance with U.S.

Our trade relations with the United States currently seem liable to undergo a significant change in terms of the current imbalance, which is much higher than the historic imbalance. This historic imbalance really started in the late 1950's, from 1958 on, when the United States suddenly became one of our

suppliers. However, the deficits were more manageable then than they are now, as the current imbalance stands at six to one.

There are apparently relative possibilities of a substantial improvement in this regard, though a good part of the efforts of our commercial diplomacy ought to aim at securing better treatment on the U.S. market, just as I assume that a good part of the efforts of the Soviet Union's commercial diplomacy will aim at convincing Argentine state-run enterprises to buy Soviet-made industrial goods.

Balance of Power

Now then, in general with regard to an assessment of the relationship between the two superpowers, Argentina of course stands on the premise that, notwithstanding its basic cultural affinities with the United States, the world panorama is marked by a balance of power and, therefore, by superpower coexistence and, therefore as well, by the ability that intermediate and even minor countries have in times of tension if you wish, but ultimately in times of peace, to pursue courses of action to achieve their national goals.

ESTRATEGIA: What are the possibilities for establishing a military body to monitor the South Atlantic?

Foreign Minister: The South Atlantic: This issue appears more in the papers than it does in diplomatic initiatives. There could, of course, be certain groups in various areas, various places that are looking at this as a working hypothesis, but so far no diplomatic initiative has taken shape in this regard.

Therefore, it would seem that analyzing a "South Atlantic Pact" as an issue on which several countries in the region and even outside the region, such as the United States, might disagree, is akin to talking about an entelechy.

Argentina unquestionably has, first of all, viewpoints and, second, specific interests with regard to the South Atlantic.

The South Atlantic is of interest to Argentina for the obvious reason that it has a coastline on the South Atlantic. The South Atlantic is our sea. Hence, we are much more interested in the South Atlantic than we are in the Caribbean, the North Atlantic or the China Sea.

There are, thus, a great many obvious conclusions in this regard. The South Atlantic is a zone of Argentine security, for reasons having to do with our relations with Chile as well. First and foremost, Argentina wants a monopoly on security maintenance in the South Atlantic, from the parallel that corresponds to the shore of the River Plate to the extension of the Cape Horn meridian in the Antarctic. This view seems clear-cut.

But I would like to make very particular reference to the South Atlantic because in addition to being an area that is of interest to Argentina, it is an area

in which Argentina has specific, concrete grievances. A South Atlantic policy for Argentina should primarily focus on recovering the Falklands. To Argentina, the South Atlantic is the Falklands, the South Sandwich and the South Georgia Islands. This is the hub of Argentine policy in the South Atlantic. It would, of course, be most erroneous to make such a basic grievance an incidental issue in a South Atlantic policy.

Natural Resources

Needless to say, part of Argentina's interest in the South Atlantic is the very definite possibility of developing the resources there, first of all the resources in Argentina's waters, that is to say, Argentina's continental shelf, the oil, gas and fishing resources, and outside our platform in the South Atlantic, mainly krill. As we know, the krill zone is located in the large banks between the islands and the Antarctic, eastwards. This is an example of Argentina's interests in the South Atlantic, even though part of the krill banks lie outside our territorial waters.

Antarctic Extension

Furthermore, Argentina has an Antarctic extension, which adds to the importance of the South Atlantic or the waters in which specific national interests are increasingly at stake. The map on the cover of ESTRATEGIA's first issue would have been quite fanciful in 1960, and if I remember correctly, it was presented in a high-quality offprint. Today, in 1981, however, that map, with its center in Buenos Aires and extending towards the Antarctic, has become a geopolitical and geo-economic fact. Australia is considerably closer by transpolar flight than Northern Europe. We can get to New Zealand much faster than to Madrid, and we could reach Sidney by direct flight sooner than Berlin or Bonn.

So then, there are many reasons why Argentina's interests to the south are an essential element of our presence in the world, of our place in the world. The Pacific is no longer all that important because we can have direct contacts with Asia along much more direct routes, especially the airways, and this vindicates the people who argued for many long decades that the Argentine Republic's priority area of development was Patagonia.

Falkland Islands 1981

ESTRATEGIA: Doesn't this concern over the Falklands arise, moreover, at a time when the talks with the United Kingdom over the islands have come to an impasse, according to some observers?

Foreign Minister: I wouldn't go that far exactly, but I don't want to make any additional remarks at this time. I think that the players are simply getting ready for another bargaining round. I would call your attention to this: Some journalists have recently visited Argentina and published articles in the British press that in a way "jibe" with facets of the policy that the British Government is now pursuing, facets that Argentina cannot but analyze with interest.

The Thatcher administration resolved a very complex problem, the problem of Rhodesia-Zimbabwe; in other words, it did away with the problem of Rhodesia and initiated independent life for Zimbabwe. The Belize issue was settled in an agreement, complex to be sure and with uncertainties marking its prospects. Therefore, it would seem that the time has come for issues such as the Falkland Islands or Gibraltar, which are the last unresolved issues in the Foreign Office, to be analyzed with a somewhat more active approach. I think that as 1981 unfolds, Argentina will have to see whether there is or is not movement, and if there is no movement in 1981, it will have to review its strategy towards the Falklands.

ESTRATEGIA: Is it a significant development that the Falklands Company has come under the control of an oil company?

Foreign Minister: It might or might not be. The transfer could obviously be regarded as suggestive, although the fact is that the company does not produce oil. We also have to see how things unfold with the east Magellan bidding, which was, shall we say, "questioned" by the United Kingdom because the area up for bids abuts the waters that the United Kingdom considers an extension of the Falkland Islands, of its occupied land. It will be interesting to see how the bidding unfolds in the days to come.

Beagle

ESTRATEGIA: I would also like to ask you about the status of the Beagle problem.

Foreign Minister: We have just now taken care of a procedural incident, so to speak, but one that had a number of valuable, serious connotations. It had to do strictly with our border. An incident that had serious repercussions cannot be considered a minor incident. It is, in fact, major cause for reflection, because it once again brings up not just our handling of the Beagle issue, a specific border dispute between Argentina and Chile, but also what I would call the overall style of relations that should exist between Argentina and its neighbor.

The way I see it, our two countries have not yet fulfilled their responsibility. That is to say, Argentina and Chile have to formulate a very clear, very sober, very organized, very formal definition of what they represent to each other. Argentina and Chile have one of the longest borders in the world, the third longest. As long as our two countries have not developed a, shall we say, philosophical approach based on our irreversible geography, it is going to be quite difficult to deal with legal problems.

I think that border issues essentially have to do with the kind of coexistence that one wishes to have with one's neighbor, but they are ultimately political problems, though this does not, of course, rule out their major legal facets.

These are political problems not only because of the repercussions on the home front of everything having to do with a single square inch of land or a single drop of water that belongs to Argentina, but also because it is along a border that the framework of coexistence between two states is fashioned.

I feel that with an issue like the Beagle we have to stop and realize that it is just part of a lengthy border between Argentina and Chile that has other spots that involve question marks. Above all, however, it is part of a relationship in which two neighbors have to make very serious efforts to formulate an overall strategy for their ties aimed at the kind of coexistence that they want.

I think that this is the groundwork for resolving the problem. With regard to the problem itself, the specific, concrete border problem, I am going to repeat to you a comment that, though it might seem trite, I think is quite true and that I have quoted on other occasions: Countries can coexist with problems but they cannot coexist with poor, inappropriate or premature solutions.

The world is full of border problems, which are always thorny. What we can say about international experience through the ages is that an agreement to coexist with the problem until a solution can be found can lead to a solution if at the same time a philosophy of relations between the two countries is spelled out. In contrast, promoting a solution, even one that is imposed by force of arms, when a philosophy of the relationship has not been spelled out, inevitably leads to a reassessment of the situation, even if legitimized by treaty.

Borders are ultimately decided by treaties, and experience shows that treaties signed after wars that entailed absolute victories and crushing defeats were later reassessed, when the time came, because the countries in question had not defined the nature of their coexistence.

This has happened between the largest countries in the world; the examples are too well-known to recall here. So then, in light of the recent serious incident, I think that we now need to pause so that we can resist the temptation to seek solutions that might seem satisfactory from certain legal angles (and not so satisfactory from other legal angles) but that could be extremely fragile politically.

Brazil

ESTRATEGIA: As you know, the journal ESTRATEGIA has spoken out against the compromise with Brazil on our dam projects, arguing that under it Argentina would become a sort of junior partner of Brazil. Could you comment on this view?*

* The journalist is referring in particular to the article by our editor, Gen J.E. Guglielmelli, "Corpus-Itaipu: Three Battles Lost by Argentina and Now a Dangerous Prospect, the Role as Brazil's 'Junior Partner,'" ESTRATEGIA, No 61/62, November-December 1979, January-February 1980. (Editorial note)

Foreign Minister: I am familiar with ESTRATEGIA's position, and although, strangely enough, I disagree with the premise, I agree with the conclusion. In other words, the way I see it, the settlement of the Parana hydroelectric dispute was a strategic success for Argentina. I think that it was a strategic success for the three parties, one of those instances that clearly demonstrate that an international settlement works when all parties, in the final accounting, endorse it.

Corpus-Itaipu

At this point in time it would seem that both Argentina and Brazil, and of course Paraguay, which has a major interest in this regard, have backed the tripartite agreement, and barring certain small groups in both Argentina and Brazil, no one feels that any basic interests have been sacrificed. I personally think that the Itaipu-Corpus settlement was a typical case of a political approach to a problem that could not be resolved judicially. When they tried to resolve it in the courts, two judicially incompatible positions met head on, because there was no way to reconcile the theory of absolute sovereignty over the natural resources of a river having a continuous course with the theory of prior consultation. If it had eventually been brought before an international tribunal, Argentina would have perhaps discovered once again that its love affair with juridical stands that are not that clearly defended and that are poorly supported at international forums would have dealt it a serious setback in the field of law.

The Itaipu-Corpus problem was, moreover, political, because it ultimately entailed a border problem: a river border and a border in the sense that the Parana is in itself a border and that the harnessing of the river could cause upheavals for both sides. Furthermore, however, this is an area of vital interest to the country, because this is obviously the most active of Argentina's borders and one with major geo-economic pressures.

A compromise was reached on Corpus-Itaipu under which the basic point for Argentina was the guarantee that the powerplant would be constructed, though there were groups (on the other side as well) that felt that the most important thing was for Argentina not to build the plant.

That fundamental goal was thus achieved. Moreover, there was obviously a problem of national dignity, so to speak, involved. That is to say, it would have impaired our national self-respect if a decision like that had been made without any Argentine input and if Brazil and Paraguay had ultimately completed a dam the size of Itaipu without Argentina being able to recover most of its hydroelectric rights on the river, without this having even come up for discussion and without furnishing even passably relevant information.

It would take too long here to go into the technical details to demonstrate that Argentina hardly made a diplomatic slipup by guaranteeing the construction of a dam that will have an output capacity of around 20,000 gigawatt-hours and that could eventually be boosted to 7 million kilowatts

of firm power by virtue of the additional equipment that can be installed at Corpus with Yacyreta as a natural regulator. Moreover, the problems of navigation in the Argentine area of the Parana were basically resolved under the Itaipu operations compromise. This enabled Argentina and Brazil to impart a constructive turn to their relations, basically the nuclear pacts, the significance of which I should now comment on briefly.

Nuclear Pacts

These nuclear agreements initially provided an opportunity to dispel the uncertainties about the two countries' respective developments in this field and to deflect the customary international complaint that the two nations were engaged in a nuclear arms race. This argument has now been completely invalidated by the facts and is no longer even put forward. Above all, however, the pacts made trade possible, which to Argentina has meant high-priced exports.

For example, fuel elements can now be exported for Brazil's power reactors. This is, of course, a transaction in which Argentina is indisputably interested, and so, ultimately, is Brazil, which is getting an item, free from the inconveniences of international safeguards, from a country that is not hostile to technology transfer but that will, of course, demand safeguards (because each one of these elements entails compliance with safeguards).

So then, Itaipu is an important project if for no other reason than because it made a nuclear agreement possible, as well as the hydroelectric development of the Uruguay River, which would not have been feasible otherwise and which represents more than 12 percent of Argentina's hydroelectric reserves.

Politics and Economics

With regard to ESTRATEGIA's concern that Argentina might become a sort of junior partner of Brazilian development, in my way of looking at this, it has nothing to do with the Itaipu-Corpus agreement; rather, it is related to Argentina's overall economic policy, which by charting a given course would have, in fact, brought us face to face with this extraordinarily dangerous prospect. We would not only have become junior partners of Brazil but we would also have ceased to be an industrialized country. In that event, we would also have become a junior trading partner with Korea, Singapore or any other industrialized country that could export to an Argentina whose industry had been laid waste.

Balanced Trade

But this did not come to pass. As a result of our constructive political relationship, our economic talks reached a high enough level of sophistication and efficiency so that at the recent presidential meeting it was the Brazilians who proposed an arrangement to guarantee a qualitative balance of trade,

because Brazil realized perfectly well too that Argentina, which had suddenly become one of its leading trade partners, was a promising market to the extent that it could export industrial goods, because trade cannot expand with a country that exports only raw materials.

The possibility of completely unbalanced trade between Argentina and Brazil entailed the risk for Brazil that the potentially important Argentine market would become a closed, not an open market. This would probably have been the final outcome if certain courses of action had been continued, whether for exchange reasons, because purchases were impossible, or, understandably, for national defense reasons or for nationalistic reasons on the part of producers.

Rational Diplomacy

So I think that the real progress in relations with Brazil was the attempt to seek a rational solution to problems, not to complicate them, even when upsetting factors arise, such as happened recently with the side effects that the incident with Chile had on Brazilian trucking. All indications are that a diplomacy of rational dialogue and smooth consultations between Argentina and Brazil represents at the moment a diplomatic asset for consolidating international policies properly geared towards the national interests of both Argentina and Brazil.

Needless to say, it is no secret that because Argentine diplomacy is defending Argentina's own viewpoints, Brazilian diplomacy is encouraged to defend Brazil's own viewpoints too.

Moreover, I think that this has helped, in general, to rationalize courses of conduct in Latin America by providing a valuable example, above and beyond our bilateral relations, and has had a beneficial impact on the rest of the countries on the continent, which concluded, in point of fact, that the Itaipu-Corpus agreements and subsequent events represented promising progress, not a regression, in continental diplomatic relations.

ESTRATEGIA: The question marks arise because as soon as Brazil took care of its problem relating to dam projects with Argentina, it very actively succeeded in setting up the Amazon Treaty, which although a promise for the future, is a major element in Brazil's relations with South America. In turn and at a given point, all facets of its relationship with Argentina seemed favorable to Brazil. Let's take a look. Trade, because while we have posted a striking decline in industry, Brazil has continued, albeit with difficulties, its development. And then there is the construction of dams on the Uruguay River, because although they will provide the same amount of power to each partner, they will favor the one that is at the most advanced level of industrialization. This will widen the population gap on the two sides of the border. There is also the fact that the Argentine-Paraguayan dam projects are still not under way or moving forward slowly. Yacyreta has problems, and

is still on the drawing board. Finally, Corpus has created strong economic ties that boil down to closer links between Brazil and Paraguay. So it looks like there is no reasonable parallel for Argentina in this picture.

Foreign Minister: Itaipu, development pole: Very well. I'm going to address each of these points. First of all, Itaipu obviously had the effect that you mentioned; aside from being a vital project for Brazil's energy development, it represents a development pole for Paraguay as a construction project.

It prompted heavy demand for Paraguayan goods and services and has been a training school for high-level technicians, which has had a truly constructive impact on Paraguay's manpower. It is also a fact that Brazil's active presence in eastern Paraguay brought an offsetting Paraguayan influence in the east too, which used to be deserted and now has at least 300,000 residents.

So then, Paraguay marched eastward, which has been very promising for Paraguay. It is a fact that Paraguayan-Brazilian relations have moved ahead in recent times at a very rapid pace. But this obviously took place with Itaipu alone and had nothing to do with the possible construction of Corpus.

We have to remember that the Corpus-Itaipu negotiations were based on the fact that Itaipu was well under way. They really started under the following conditions: Itaipu was 1 year into construction, and neither Corpus nor Yacyreta were included in the Argentine Secretariat of Energy and Fuels' programs. These were not, of course, ideal conditions, because our partner, Paraguay, was perfectly aware of the difference in approaches.

Dams on Uruguay River

Secondly, with regard to the issue of dams on the Uruguay River, the notion is quite widespread that dams on the Uruguay River are of more interest to Brazil than to Argentina. I think that this means assuming that Argentine growth is impossible or that we have renounced such growth. I think that dams that generate power for both sides are necessarily conducive to the development of both sides, and when you talk about dams on the Uruguay River, the basic premise is Argentina's development, because we're obviously not going to build them out of altruism. There is not the slightest doubt that from Argentina's standpoint the dams on the Uruguay River are projects by which an extremely unpopulated zone can be occupied. Even as construction projects, the three dams, the two upriver in particular, constitute enclaves for Argentina to march towards and occupy its eastern region.

Thirdly, people generally think that the dams on the Uruguay River are vital to Brazil. They are, of course, important to Brazil, but they represent a much smaller percentage of Brazil's energy reserves than of Argentina's energy reserves. And people at times forget that aside from the three joint projects, Brazil has six other developments planned on its side of the Uruguay River.

So it would be going a bit too far to say that the Brazilians are banking on these three dams, although it is true that they are very interested in them. But they can develop first what is still available to them on the Iguazu, some 6 million kilowatts, and they have two major dams they can still build on the Upper Parana (Porto Primavera and Ilha Grande), aside from the six on the Uruguay River that I mentioned.

Yacyreta and Corpus

With regard to the work pace at Yacyreta and Corpus, Yacyreta is obviously lagging behind (Corpus, on the contrary, is on schedule), but it is also obvious that if Yacyreta does not get under way, the Corpus project is going to be postponed. This is due essentially to delays on the Argentine side, not to any sore points or lack of reciprocity in Argentine-Brazilian relations. If Argentina does not get Yacyreta under way, well, it will have a national and international contrast of colossal dimensions.

Yacyreta is a major Argentine commitment to itself, to Paraguay, to international companies and to its name in the world's eyes. I am certain that Yacyreta will get under way this year. The startup of Yacyreta is going to cause such a great upheaval in Argentina that the country still does not realize the repercussions of a project of this magnitude and how it is going to condition our entire policy of future investments, because work on these powerplants has to proceed on schedule.

Amazon Pact

Lastly, with regard to the Amazon Pact, you know that the Amazon Pact is at this point essentially a political decision geared towards a long-run integration goal. The major difficulty, of course, is that it is hard to integrate deserted areas.

The Amazon Pact involves the least populated zones of the South American countries, the unpopulated heart of the Americas. But I would say that the Amazon Pact had a significant side effect that we, as South Americans, should not belittle; it gave certain countries in northern South America an interest in the rest of the continent that could eventually be capitalized on throughout the region. Countries that looked basically to the Caribbean or the United States saw that it was telling them that they belonged to South America too, and Argentina ought to give this some thought and come up with imaginative initiatives.

Diplomacy and Development

So then, we ultimately come to the following conclusion: There is no abstract international diplomacy, and there are no foreign policy prescriptions that are not in keeping with national development capabilities, national development policies and actions that confirm, from within, a nation's interests.

The Corpus-Itaipu Treaty will be a very nice treaty as a precedent in the field of international law pertaining to river basins, but the important thing is to build Corpus. If Corpus is not built during the time frame anticipated when these negotiations began, it will mean two things: first, that Argentina's energy expansion lagged behind, or Argentine demand lagged behind and thus Argentina did not grow sufficiently, or else the negotiations with Paraguay for starting up the powerplant were handled incompetently.

If, on the contrary, we assume that Argentina grows at its normal, rapid pace, I feel that the projects will inevitably be constructed. I will cite you this fact: At the outset of the Corpus negotiations, with Corpus already figured into Argentina's energy timetable and with a quite modest forecast of demand growth, 8.8 percent (Brazil's is regularly 13 or 14 percent), estimates were that a turbine would have to be installed before the year 2000 on every last Argentine river that could accomodate one because projected demand would exhaust our hydroelectric and water resources by that time.

So if Argentina decides to expand at a slightly quicker pace, we might get a pleasant surprise from this.

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BRIEFS

MILITARY REPRESENTATIVE ON WASHINGTON CONFERENCE--Santiago, Chile, 11 Nov (AFP)-- Chilean Army Gen Rigoberto Rubio disclosed here today that launching a joint action against terrorism was recently discussed in Washington. General Rubio, who participated in the 14th conference of American Armies added that all that remains to be done now is to plan the work to be carried out. This is a phase which could take a while because all the member states must participate in it. General Rubio, head of the Chilean military delegation to Washington, pointed out that all the delegates attending the conference (Nicaragua and Cuba were absent) agreed to the idea of struggling against terrorism. He said all the proposals in this regard were unanimously approved. When asked whether communist action represents a threat to continental security, General Rubio stated that the current situation was laid bare at the meeting. He added that each government will have to react according to the situation in its country and in keeping with its own interests. Military sources pointed out that the subjects discussed during the meeting held in Washington from 2-5 November also included the struggle against extreme leftist subversion, the means and way in which underground insurgency is carried out and alleged Cuban activity in some Central American countries. [Text] [PY121112 Paris AFP in Spanish 1551 GMT 11 Nov 81]

END TO VIOLENCE URGED--Santiago, Chile, 12 Nov (AFP)--The Chilean human rights commission issued an appeal today to the government and the community in general to make every effort to stop the wave of violence that has been registered in the last few days in Santiago. The Chilean human rights commission, which is usually highly critical of the government headed by Gen Augusto Pinochet, made this appeal after the attack against Supreme Court Chief Israel Borquez and the killing of four alleged terrorists in a clash with security agents that took place 4 days later. Regarding the attack against the Supreme Court chief, the Chilean human rights organization said that this incident is another in a series of human rights violations that have been taking place in the country and which they had denounced several times. The commission added that they appeal to the government, to national officials and to all citizens to make every effort to stop all human rights violations. The leaders of the commission, headed by Maximo Pacheco, visited judge Israel Borquez who is recovering from injuries in a Santiago hospital and expressed their repudiation of the attack against him. The Chilean human rights commission was established 3 years ago by Christian democratic lawyer Jaime Castillo who last August was expelled from Chile and who now lives in exile in Venezuela. [Text] [PY132223 Paris AFP in Spanish 1830 GMT 12 Nov 81]

EXPelled PERSONS RETURN REJECTED--During an informal talk with the press, Interior Minister Sergio Fernandez reconfirmed this morning that the government has rejected the request for the return to the country of (Jaime Castillo) and (Alberto Quiroz), who had been expelled. [Relayed report from government palace by (Graciela Contreras)] [Excerpt] [PY122333 Santiago Chile Domestic Service in Spanish 1630 GMT 12 Nov 81]

EARTHQUAKE HITS NORTHERN CHILE--A tremor of 5 to 6 degrees which lasted 35 seconds hit the El Salvador copper mine early this morning. The tremor was felt in the northern area of Antofagasta. It also affected Copiapo and lasted 60 seconds with an intensity of 3 to 4 degrees. Carabineros reported that there were no personal injuries or material damage. The earthquake created alarm among the population in Northern Chile the tremor was felt at 0411; its epicenter was located in Taltal. The tremor registered 2 degrees in Antofagasta but was not felt by the population. [Montevideo Radio El Espectador at 1600 GMT reports the earthquake in Northern Chile registered between 5 and 6 degrees on the one to twelve scale] [Text] [PY171922 Santiago Chile Domestic Service in Spanish 1630 GMT 17 Nov 81]

COMMUNICATIONS AGREEMENT WITH SWEDEN--An agreement will be signed today between the Chilean National Telecommunications Company and the Swedish Company Ericson. Through this agreement, all Chileans will be able to dial directly from any telephone in the country to any country in the world incorporated to the system. [Text] [PY161111 Santiago Chile Domestic Service in Spanish 1000 GMT 13 Nov 81]

LABOR MINISTER TO LONDON--Labor Minister Miguel Kast left today for London where he will attend a seminar on Chilean economic and labor policies sponsored by the Latin American trade advisory group. [PY161111 Santiago Chile Domestic Service in Spanish 2300 GMT 13 Nov 81]

CSO: 3010/313

BRIEFS

JAPANESE AMBASSADOR'S CREDENTIALS--Bogota--Hiroshi Nagasaki, the new Japanese ambassador to Colombia, today presented his credentials to President Julio Cesar Turbay. [PA172149 Bogota Domestic Service in Spanish 1730 GMT 17 Nov 81 PA]

MINISTER IDENTIFIES WEAPONS--Bogota, 16 Nov (AFP)--General Luis Carlos Camacho Leyva, minister of national defense, said today that the weapons that were brought into the country recently in a hijacked Aeropesca plane were made in Belgium. These weapons were for a subversive group that operates in southern Colombia. The weapons, which were sent from an area bordering Panama, are in the hands of the subversive 19 April Movement [M-19]. They were used in the most recent guerrilla actions in the Caqueta region, in southern Colombia, where the guerrillas have been fighting the Colombian Army. The minister said that even though no official report has been issued on this, "the only thing we know is that they are Belgian-made rifles." On the situation in the Caqueta region, the minister said that "the Colombian Armed Forces expect to continue defeating the guerrillas because they are firmly resolved to subject the guerrillas to the law." During the army's latest incursion into the guerrilla zone, 14 members of the M-19 were killed and the army recovered an arsenal consisting of 202 rifles, 22 submachineguns and 36,000 bullets. This latest attack, which used helicopters and airborne commandoes, was launched with the help of the Colombian Air Force. [Text] [PA170427 Paris AFP in Spanish 2250 GMT 16 Nov 81]

CSO: 3010/314

BRIEFS

INTERCOSMOS MEETING--The 14th meeting of the National Organs of the Intercosmos program opened this morning at the Cuban Academy of Sciences [ACC] and will continue until 22 November. The opening of the event was presided by Jesus Montane, alternate member of the Politburo. Also presiding were Wilfredo Torres, member of the Central Committee and president of the ACC, Cosmonaut Col Arnaldo Tamayo and delegation chiefs of the GDR and Hungary, Klaus (Jot) and Bela (Kosak) respectively. [Text] [FL162119 Havana Domestic Television Service in Spanish 1800 GMT 16 Nov 81]

HART INTERVIEWED ON LEAVING ALGERIA--In Algiers, Armando Hart Davalos, member of Cuba's Communist Party Politburo and minister of culture, has accused the United States of disseminating false information for the purpose of mentally preparing the U.S. population for an aggression against Cuba. In an interview granted to the IPS news agency prior to his departure from Algeria, Hart explained that if the international penal code were observed, the present U.S. administration would have to be tried for threatening, for announcing that it could drop a nuclear bomb over the Soviet Union and other countries. [Text] [FL171456 Havana Domestic Service in Spanish 1200 GMT 17 Nov 81]

SEMINAR CHAIRED BY MONTANE--The seminar on the situation of the Chicano, Cuban, Indian, Puerto Rican and black communities in the United States opened today at Casa de Las Americas. Chairing the opening session were Jesus Montane Oropesa, alternate member of the Politburo; Nicolas Guillen, member of the Central Committee; and Santiago Diaz, director of the Center for American Studies. Mariano Rodriguez, president of Casa de Las Americas, made the opening remarks. [Text] [FL180027 Havana Domestic Service in Spanish 0000 GMT 18 Nov 81]

NEW PINAR FEU OFFICIAL--More than 100 delegates attended a meeting of the Federation of University Students [FEU] in Pinar Del Rio at which the new members of the provincial council were introduced. (Reinaldo Menendez) is the new president. [FL172141 Havana Domestic Service in Spanish 2106 GMT 17 Nov 81]

BENIN VISITOR--Oscar Fernandez Mell, member of the Central Committee and President of Havana City's Provincial Assembly, received (Maliki Tousiki), member of the Central Committee of the Benin People's Revolutionary Party, in his office. Fernandez explained to (Tousiki) the structure of Havana city's government. (Tousiki) explained the current situation in Benin and thanked his host for the attention he has received during his visit, which demonstrates the strong ties between the peoples and governments of the two countries. [FL172141 Havana Domestic Service in Spanish 1500 GMT 17 Nov 81]

BULGARIAN CULTURAL DELEGATION--The 1st vice chairman of the Bulgarian Committee for Culture, Pavel (Pisiarev), who is heading a visiting artistic and cultural delegation, has given a press conference at the national theater on the occasion of the week of Bulgarian culture that is being held in this capital. The Cuban vice minister for culture, Maria Ruiz Bravo, attended the press conference. (Pisiarev) said that this second week of Bulgarian culture will serve to make more popular the conquests of Bulgarian culture, the successes of socialism and to strengthen internationalism, he then went on to report on the events that are to take place during the week of Bulgarian culture. [FL172141 Havana Domestic Service in Spanish 1500 GMT 17 Nov 81]

CSO: 3010/317

CIENFUEGOS: FMLN IS FOR PEACE, IMMEDIATE POLITICAL SOLUTION

Algiers REVOLUTION NATIONALE in French No 915, 4-10 Sep 81 pp 29-31

[Interview with Fernan Cienfuegos, member of the military command of the Salvadoran National Liberation Front, by E. Rouabchia; date and place not specified]

[Text] On an official visit to our country, Fernan Cienfuegos, a member of the command of the Farabundo Marti National Liberation Front (FMLN), granted us an interview in which he takes stock of the general situation in El Salvador and central America, and the international impact of, and support for, the Salvadoran revolutionary movement. We note that Mr. Cienfuegos was received by Mohamed Cherif Messaadia, political bureau member and head of the permanent secretariat of the FLN central committee.

[Question] The FMLN has launched what is called the second general offensive against the forces of the junta in power. Can you update us on the situation?

[Answer] At the time of our previous meetings with the Algerian press, we stressed the character of this general offensive, which has been in progress for months. The offensive has permitted consolidation of the popular foundations of the FMLN, which controls, directs, and organizes a large part of the Salvadoran masses. Our enemy is cornered in his bases, and his defensive capabilities are dwindling day by day, despite the great resources available to him. The fascist junta wished to wage a war of extermination against us, using air forces and artillery as well as bacteriological and chemical weapons. But that has not undermined our forces of resistance. The army is massively repressing the civilian population, but the latter is increasingly mobilizing around the FMLN.

The aid given by American imperialism to the fascist junta is proving totally ineffective against the popular will. Today we control the major road nets, and the enemy is completely paralyzed.

In July we launched a general offensive by harassing the armed forces at all levels. Formerly, we attacked the fascist troops in rural areas and in certain of their bases. But since that time, we have been waging total war against them. That is, we destroy all their logistical facilities--communications, supply bases, etc.

Faced by these new demands of the struggle, the masses of the people accept great sacrifices and approve our methods of action. In short, this generalized offensive is marked by our hitting the enemy on the move, and no longer only within his military bases.

Question The FMLN's struggle certainly overflows the Salvadoran frontiers. Faced by the rise of the national revolutionary movement in central America, a coalition of the military regimes in the region is forming. How do you assess that aspect of your struggle?

Answer It is clear that the United States is pursuing a policy of destabilization in America. Thus in Panama, after the accident--in our view it was in fact an assassination--which cost his life to former president Omar Torrijos, the Americans are considering a coup d'etat against President Royo.

In Costa Rica, imperialism wishes to impose creation of an army patterned after those existing in the other countries, that is, a fascist army. The Costa Rican people fundamentally opposes creation of such an army, for they are a people with old democratic and pacific traditions. Costa Rica has never had an army.

The Reagan administration maintains over 5,000 mercenaries on the Nicaraguan border. Provocations against the Sandinist revolution are without number. It is also pushing the Honduran regime to intervene against our revolution, as it is doing against Nicaragua.

The aim of American imperialism is to create a fascist coalition in the region to suppress all popular movements.

In the face of such a danger, it is clear that our movement should fit into the pattern of popular struggles throughout the region. How could it be otherwise when fascist regimes intervene in other states? The United States and Guatemala wish to prevent the accession of Belize to independence.

We maintain firm relations with all revolutionary and democratic movements in central America and throughout the American continent. Those relations go far back in history, and are based on militant solidarity and coordination of political action. Whether it be with Costa Rica, Honduras, Panama, Guatemala, or Chile, our relations with democratic movements are inspired by our will to independence, peace, and progress.

The FMLN supports the establishment of peace, and is for a global political solution meeting the democratic aspirations of our popular masses.

Question A propos of political solutions, certain endeavors have been made, but have remained without result. What is the FLMN position in this regard?

Answer From the first, we declared our support for a global political solution. We have not refused negotiation and mediation. But any political solution must take into account the aims of our struggle. Our platform to negotiate a political solution is based on the following points:

Formation of a government of national union with participation of all revolutionary and democratic forces struggling against the fascist regime. It is a question of forming a government authentically national, revolutionary, and democratic;

Elaboration of a policy of economic development and social reforms to meet needs of the masses;

Establishment of a democratic regime and institutionalization of peoples' organizations through which the masses can express themselves freely and democratically;

Creation of a new army composed of FLMN forces and the patriotic portion of the present army;

Adoption of a policy of nonalignment and political independence, with the right of self-determination in its broadest sense, and respect for sovereignty;

Freedom of religious and cultural association.

Only that platform can permit a negotiated comprehensive political solution. The junta proposes elections under certain conditions. That is in fact nothing but a diversion.

The FLMN categorically rejects the false proposals of the junta. In fact, it offers us only what the Moroccan regime offers the Polisario. That is a kind of disguised surrender.

Question Does not your struggle benefit from a broad international echo?

Answer Yes, for the simple reason that our struggle, those of the peoples of Latin and central America, make common cause with the struggle of the African peoples. We have the same enemy, the same final goals: anti-imperialist struggle and national liberation. The forces which maintain tension in central America are also those which do so, in like manner, in the Mediterranean and Africa. We consider that we have the same enemy; that is why we must make common cause. We know and support the struggles of the people of the Sahara, Palestine, Namibia, and Angola. They are also our struggles.

It is Reagan's adventurist policy that is behind all acts of aggression wherever they occur. The only means of defeating that policy is through unity of revolutionary progressive forces and national liberation movements throughout the world, by constituting a broad anti-imperialist, anti-interventionist front.

That adventurist policy is doomed to failure because history teaches us that peoples are invincible. Peoples execrate wars, but imperialism imposes them by zionism, racism, and apartheid. We condemn all those forms of oppression engendered by imperialism.

We fight for peace, which is an important weapon for defeat of the aggressive imperialist policy.

FMLN calls for solidarity of all peoples, all revolutionary forces, all democratic governments in the world.

Question You have just had a series of talks with Algerian officials. Can you tell us the essence of those talks?

Answer The Algerian revolution is for us an example to follow. Political, economic, and social achievements must serve as guides for all revolutionary movements. The Algerian revolution is exemplary because it relies only on its own forces and its own means. Our admiration for your country is very great. We do not say that to please.

We have had talks with Algerian officials whom we particularly wished to inform concerning the situation in El Salvador and in central America. We explained to them our positions on international problems. Our policy is identical to that of Algeria, particularly as regards nonalignment and national independence. That is why our talks were very positive, constructive, and convergent.

FLN solidarity is assured to us, and continuously grows, for Algeria has always been on the side of just causes.

We hope further to expand our relations with Algeria. The Salvadoran revolution will not forget the Algerian example. When we are in power and must face the battle for national development, the Algerian example and experience will be very useful to us.

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CSO: 3100/27

BRIEFS

UNCONDITIONAL NUCLEAR TECHNOLOGY--Mazatlan, Sinaloa, 17 Nov (NOTIMEX)--Claude Charland, Canadian ambassador to Mexico, has affirmed that Canada will grant Mexico unconditional nuclear technology. Charland spoke here at the installation ceremony of engineer Norberth Gibson as the Canadian consul for the state of Sinaloa. He added that the important technological program will be established in the Mexican republic whose uranium needs no enrichment for processing in nuclear plants. He mentioned the well-known system known as "Candu," which is of proven efficiency and advanced safety, in particular for Mexico. It should be pointed out that engineer Norberth Gibson, who was installed as the Canadian consul here in the presence of civil and military authorities of this port, was in charge of an important post with Mexican Petroleum (PEMEX) during the administration of President Adolfo Lopez Mateos. Claude Charland spoke about the tourism aspect of both countries. He said he had spoken with the Mazatlan municipal president and had concluded that more Canadian visitors would be coming here, especially during the winter. [Text] [FL171926 Mexico City NOTIMEX in Spanish 1644 GMT 17 Nov 81]

IMPLEMENTING PROPOSALS--Mexican President Jose Lopez Portillo has urged the chiefs of state who attended the recent Cancun summit meeting to implement their proposals. The Mexican chief of state remarked that wealth cannot go hand in hand with exploitation and misery. Lopez Portillo spoke to more than 100 representatives of the foreign banking sector, headed by the Bank of America, who are holding a meeting in Mexico City. The Mexican president added that although it is the responsibility of humanity as a whole to prevent exploitation and misery, it is the governments of the so-called North, in other words the developed countries, that have to understand that progress is only obtained when there is overall health among societies and peoples. [Text] [FL111410 Havana Domestic Television Service in Spanish 1206 GMT 11 Nov 81]

AUSTRALIAN, INDIAN TRADE MISSION--Mexico City, 17 Nov (NOTIMEX)--A Mexican trade mission organized by the Mexican Foreign Trade Institute (IMCE) and the Mexican Business Council for International Affairs [Consejo Empresarial Mexicano Para Asuntos Internacionales--CEMAI], is visiting New Zealand, Australia, Singapore and India to increase exports and open up new markets. As an exporter country, these other countries represent for Mexico, among other things, a highly developed market (?within) the general system of preferences suitable to the needs and trade agreements that have already been

established at the government level. The trade mission began its trip on 20 October and will end it in India on 20 November. Among the products these countries show most interest in are citric acid and sodium nitrate, heterocyclic compounds, varnish, cash registers, oranges, fruits and vegetables, liquor, garments and textiles, general handicrafts, silver and others. Presently, Mexico's balance of trade with New Zealand has favored the latter. Australian trade with Mexico has been scant but there are possibilities for increased trade. Mexico's trade balance with Singapore has been unfavorable for Mexico, since in 1980 our country's sales amounted to 8.5 million dollars and purchases amounted to 10,223,000 dollars. Prospects for increased trade are interesting. [India's] balance of trade with Mexico has favored the latter. [Excerpts] [FL182214 Mexico City NOTIMEX in Spanish 2150 GMT 17 Nov 81]

CSO: 3010/316

ULLOA FORECASTS 40 PERCENT INFLATION IN 1982

Lima EL COMERCIO in Spanish 15 Oct 81 p A-4

[Text] While denying that the government is going to sanction any more economic "packages," Minister of Economy, Finance and Trade Manuel Ulloa Elias reiterated yesterday that the goal for next year is to lower the rate of inflation to the 40-45-percent level.

He also announced that next week he will begin selecting government enterprises which will be returned to the private sector or turned into mixed companies through public bidding.

Speaking during his weekly meeting in the Palace of Government, Minister Ulloa stated that, with the exception of rice, most foods are no longer subsidized, in accordance with the government decision on differentiated subsidies which favors the poorest classes in the country.

Speaking about inflation, he said that the measures being taken are effective and permit a prediction for 1982 of 45 percent inflation, which he considered a high figure.

"In the face of worldwide inflation, recession, protectionism, and urgent social needs, I think it will be hard to bring it down to that level; to reduce it below 40 percent would be a real success," the economy minister remarked.

Referring to the cost of living, he stressed that periodic price adjustments with relation to the cost of living will continue. He added that a policy of periodic readjustments in the price of controlled products, "of which there are few," will prevent a situation of indiscriminate subsidies for foods. He categorically stated that the goal is elimination of general subsidies.

Public Companies

Regarding the reduction of government, Ulloa indicated that results will be noticeable in the middle term and not short term, because the measure will be carefully studied to be sure that the companies can be transferred profitably through bidding, while bearing in mind the protection of the public interest.

"Next week we will select the companies having government participation in which we believe we will have to take some measures," he said.

Unfair Trade

On another matter, he said that President Fernando Belaunde Terry had just remarked during a press conference with foreign journalists that he considered the terms of international trade still unfair for developing countries, and while the situation continues, the minister stressed, we cannot consider ourselves part of an order based on justice and solidarity.

Ulloa referred to the Peruvian position on the international problem of silver, which is affected by the sale of North American stock.

"If there is no meaningful dialogue on the international level, cartels of nations producing raw materials will begin forming in defense of their rights, as already occurred with the oil-producing nations, with unfortunate results for the developing nations," Minister Ulloa said.

He added that Peru trusts that its relations with the United States will be expressed in deeds and not just in words. "We must review our policy toward all countries, judging acts and not just statements," he emphasized.

Petroleum

When he was asked about our balance of trade, which he called poor because of the low prices for export products, he noted that the recession in industrialized countries indicates that prices for our exports will not rise within the next 6 months.

"In view of that situation, we are forced to increase our petroleum production in order for Peru to keep her position as an exporting nation," Ulloa said, adding that judging by the signs of increased oil production, the government is not talking about either overconfidence or new oil booms.

"In 1971, there was talk of an oil boom, and what happened was that most of the companies left and some contracts had to be revised because of overconfidence," Ulloa concluded.

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BRIEFS

MISSING PERSONS IN URUGUAY RELEASED--Porto Alegre--Based on denunciations made by relatives of missing persons, the movement of justice and human rights of Porto Alegre released yesterday the first list with 14 names of persons kidnapped in Uruguay by security organizations during the past 2 months. Jair Jrischke, vice president of that movement, stated that the complete list of approximately 150 names will be released by the end of this month. According to him, these persons disappeared recently. Krischke stated that the Montevideo newspaper EL PAIS published a denial last week by Uruguayan officials concerning denunciations about an offensive by repressive organizations against alleged leftist militants. Then he stated: "The denial is groundless, because we are going to prove all our accusations." Through appeals and denunciations made by relatives of missing persons, the movement of justice and human rights of this capital is trying to prepare a complete survey of persons who have been missing or kidnapped in Uruguay during the past few weeks. Krischke has confirmed his previous report that "the Uruguayan Government is unleashing a wave of repression much worse than the events following the 1973 military coup." The names included in the first list are: Alejandro Jorge Vasovich, Ariel Casco, Antonio Omar Pauta Cardozo, Alberico Rodolfo Barreto, Ana Maria Varella, Fernando Borsani Gatto, Omar Perez, Felix Ortiz, Iolanda Esponda Vaz, Nestor Alfredo Morin, Sabino Perez Medio, Gonzalo Fernando Mujica de Noit and the students known only as Labanin and Arce. In almost all cases they are liberal professionals allegedly involved in subversive movements. [Text] [PY182135 Rio de Janeiro JORNAL DO BRASIL in Portuguese 17 Nov 81]

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